

CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report



For the Year Ended September 30, 2010

City of Farmers Branch, Texas
Comprehensive Annual Financial Report

For the Year Ended September 30, 2010

City Council:

Tim O'Hare
Harold Froehlich
Michelle Holmes
Tim Scott
David Koch
Ben Robinson

Mayor
Mayor Pro Tem, Place 2
Deputy Mayor Pro Tem, Place 3
Place 1
Place 4
Place 5

City Manager

Gary D. Greer

Prepared by

Finance Department
Charles S. Cox, Director

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CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report
For the Year Ended September 30, 2010

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*INTRODUCTORY
SECTION*

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City of Farmers Branch
13000 William Dodson Parkway
Farmers Branch, Texas 75234

January 13, 2011

Honorable Mayor and City Council
City of Farmers Branch
Farmers Branch, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmers Branch, Texas for the year ended September 30, 2010. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

THE REPORT

The Texas Local Government Code (§103.001) requires annual audits of municipalities and the City Charter (Sec. 2-18) requires an annual audit of the books of account, financial records, and other evidence of transactions by a certified public accountant within 120 days of the end of the fiscal year. These requirements have been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Grant Thornton L.L.P. has issued an unqualified opinion on the City of Farmers Branch financial statements for the year ended September 30, 2010. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Farmers Branch (City) covers approximately 12.5 square miles and is conveniently located on Dallas' northern border. It lies in the heart of an 11-county area that has emerged as a premier commercial, financial, and trading center. Two major interstate highways (IH-35 and IH-635), the Dallas North Tollway and the President George Bush Turnpike, border the City. The Dallas/Fort Worth International Airport and the Dallas Love Field Airport are only minutes from

Farmers Branch. These factors all contribute to the favorable business climate existing within the City.

The City of Farmers Branch was incorporated in 1946 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and five other at-large members, all elected on a non-partisan basis. The term of office is three years, with the terms of two members expiring every year. The City Manager is the chief executive officer for the City.

Although the residential population has recently been estimated at 31,300, Farmers Branch serves a daytime population of approximately 91,900. The City provides a full range of municipal services including police, fire, emergency ambulance, sanitation, library, construction and maintenance of streets and municipal utilities, parks and recreation, water and sewer, planning and zoning, economic development, and general administrative functions. The City of Farmers Branch also is financially accountable for the Farmers Branch Housing Finance Corporation, the Farmers Branch Industrial Development Corporation, and the Farmers Branch Local Government Corporation which are included as discretely presented component units and the North Dallas County Water Supply Corporation, which is included as a joint venture. Additional information on these four entities can be found in the notes to the financial statements (See Note 1.A).

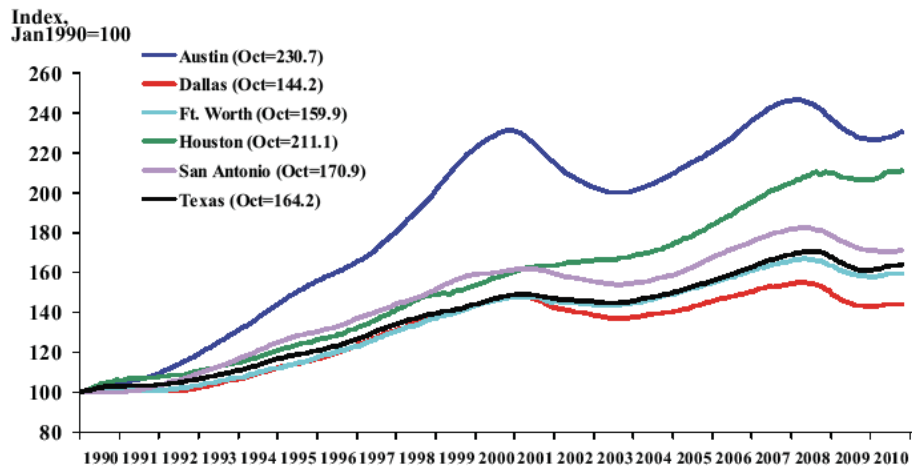
The Council enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Farmers Branch's financial planning and control. Annual budgets are prepared for all governmental funds including the general fund, debt service fund, and special revenue funds. Capital projects funds are budgeted over the life of the project. The City Manager is authorized to transfer resources within each department. Council approval is necessary for all other transfers (See Note 2.A).

LOCAL ECONOMY

According to the Federal Reserve Bank of Dallas' November 2010 *Regional Economic Update*, "The Texas economy continues to recover at a moderate pace. Payroll employment grew at a slower pace in third quarter 2010, and the Texas unemployment rate edged down 0.2 percentage points in September. Some housing indicators suggest slight improvement in September and the Dallas Fed's Texas Manufacturing Outlook Survey points to a pickup in manufacturing activity. Exports ticked up and energy activity remains brisk. While growth is expected to remain positive through year-end, the Dallas Fed's Beige Book suggests economic uncertainty is clouding firms' outlooks."



Texas Major Metro Area Business-Cycle Indexes



Source: FRB Dallas

<http://www.dallasfed.org>

The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries, and includes many of the nation's foremost businesses. Approximately seventy-eight percent (78%) of the City's tax base comes from the business community.

In fiscal year 2010, total general fund revenues of \$42.0 million represented an increase of 2.4% from the prior year. Property tax revenues increased 8.0% mostly due to an increase in the tax rate. However, sales and use taxes were down 8.6% due to the continued effects of the recession on area businesses. Other categories of revenue were mixed from the prior year with franchise taxes and investment income down from the prior year while licenses and permits, charges for services and fines and forfeitures showed increases.

The fiscal year 2011 budget was developed projecting no revenue growth. To offset the lack in revenue growth, the City has assessed current staff levels and plans to reduce general fund staffing. Water consumption decreased 5.9% during fiscal year 2010 reflecting a cooler summer, less business consumption, and consumer conservation efforts. The fiscal year 2011 water sales budget assumes a 16.8% increase in anticipation of a return to normal summer temperatures.

LONG-TERM FINANCIAL PLANNING

Users of this document as well as others interested in the programs and services offered by the City of Farmers Branch are encouraged to read the City's 2010-2011 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's budget also includes long-term financial plans for the general fund that forecasts revenues and expenditures over a five-year horizon. The document can be obtained from the City of Farmers Branch finance department by calling (972) 247-3131. The budget can also be accessed through the City's web site at www.farmersbranch.info and selecting the Finance department using the web site's "department quicklink."

RELEVANT FINANCIAL POLICIES

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The concept notes that the City will strive to maintain a general fund unassigned fund balance to be used for unanticipated emergencies of 20% of the actual general fund expenditures plus other financing sources and uses. A net current assets balance of \$2.0 million is targeted for the water and sewer (enterprise) fund. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating.

The City of Farmers Branch invests funds prudently and has adopted an investment policy, which is reviewed annually by the City Council as prescribed by State law. Staff provides a quarterly report of investments for Council review. The City's investment practice is to buy securities and hold them to maturity to avoid potential losses from a sale. During fiscal year 2010, the City complied with all aspects of the investment policy.

MAJOR INITIATIVES

In 1998, the City established a Tax Increment Finance District for the City's west side. This District encompasses over 800 acres of unimproved land. The goal of this District is to spur development in the last major undeveloped area of the City. Since the District was created, taxable values within the District have increased by \$91 million. Property taxes associated with this increment are used to accelerate public infrastructure improvements within the District. All taxing entities participate in funding these improvements. The District will legally expire in 2018.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmers Branch for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009. This was the twenty-first consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

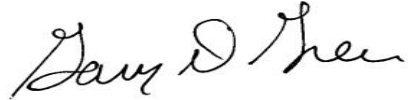
A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

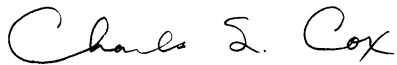
The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in cursive script that reads "Gary D. Greer".

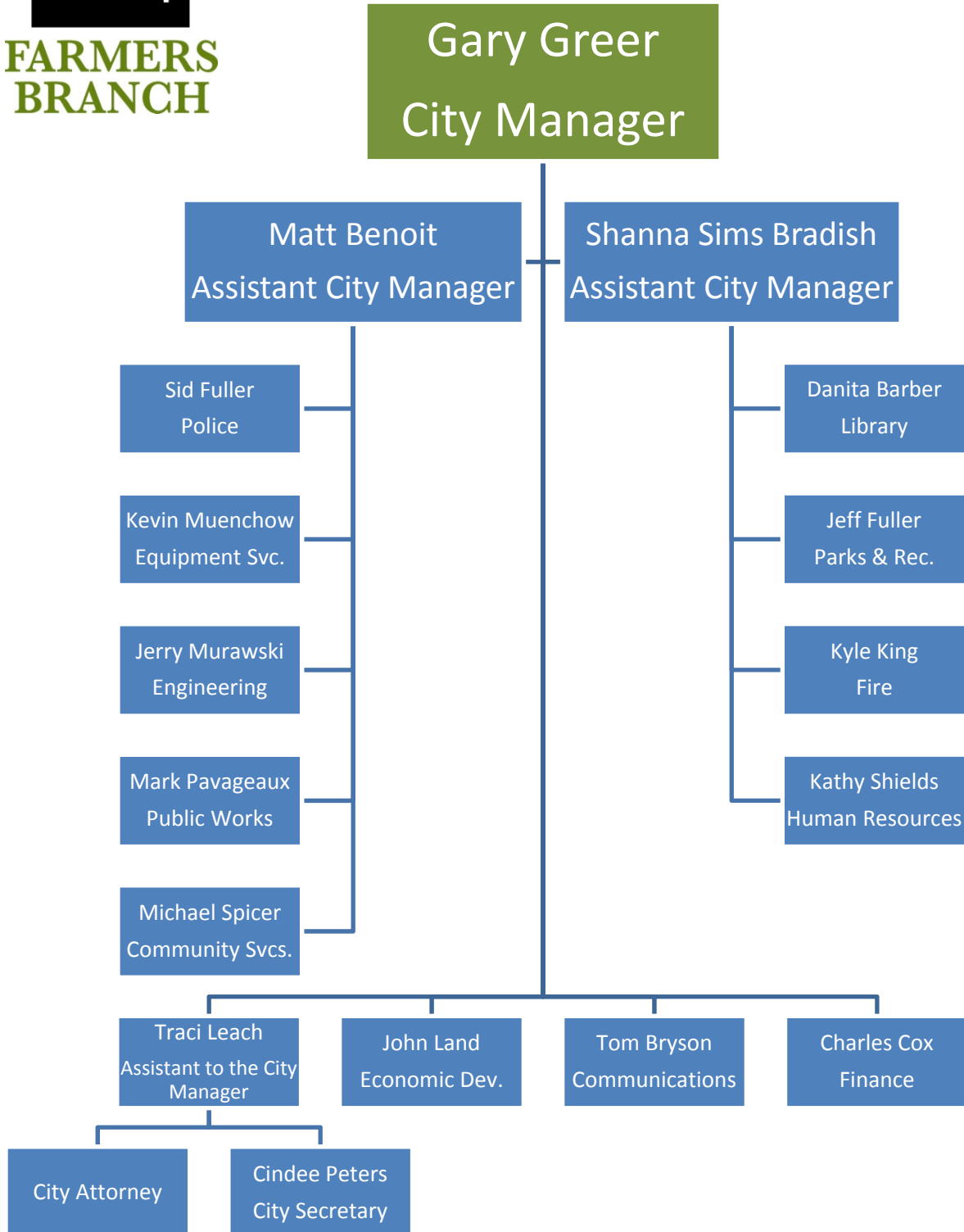
Gary D. Greer
City Manager

A handwritten signature in cursive script that reads "Charles S. Cox".

Charles S. Cox
Director of Finance



City of Farmers Branch Organization Chart



City of Farmers Branch, Texas
List of Principal Officials

City Council

Tim O'Hare
Harold Froehlich
Michelle Holmes
Tim Scott
David Koch
Ben Robinson

Mayor
Mayor Pro Tem, Place 2
Deputy Mayor Pro Tem, Place 3
Place 1
Place 4
Place 5

Appointed Officials

Gary D. Greer
Matt Benoit
Shanna Sims-Bradish
Jerry Murawski
Cindee Peters
Tom Bryson
Michael Spicer
John Land
Kevin Muenchow
Charles S. Cox
Kyle D. King
Kathleen Shields
Michael Perry
Danita Barber
Jeff Fuller
Sid Fuller
Mark Pavageaux

City Manager
Assistant City Manager
Assistant City Manager
City Engineer
City Secretary
Communications/Marketing Director
Community Services Director
Economic Development Director
Equipment Services Director
Finance Director
Fire Chief
Human Resources Director
Information Services Director
Library Director
Parks & Recreation Director
Police Chief
Public Works Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmers Branch
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

*FINANCIAL
SECTION*

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Report of Independent Certified Public Accountants

Audit • Tax • Advisory

Grant Thornton LLP

1717 Main Street, Suite 1500
Dallas, TX 75201-4667

T 214.561.2300

F 214.561.2370

www.GrantThornton.com

The Honorable Mayor, City Council and City Manager
The City of Farmers Branch, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Farmers Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas, as of September 30, 2010, and the respective changes in financial position and respective cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, the major special revenue fund - Landfill Closure/Post-Closure Fund and the Dangerous Structures Bond Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-10 and the Required Supplemental Information on pages 40-41 (Texas Municipal Retirement System Analysis of Funding Progress and Retiree Benefit Plan Schedule of Funding Progress) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section, and continuing financial disclosure section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical and continuing financial disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

As discussed in Note 4 to the accompanying financial statements, the City changed its method of accounting for intangible assets as of October 1, 2009, in connection with the adoption of GASB Statement No. 51, "Accounting and Reporting for Intangible Assets."

GRANT THORNTON LLP

Dallas, Texas
January 13, 2010

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

As management of the City of Farmers Branch (City), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2010 by \$154,755,456 (net assets). Of this amount, \$4,910,990 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below.
- The City's total net assets decreased by \$11,057,108. The largest factors in this decrease were a \$4.8 million decline in market value of land purchased for dangerous structures abatement and a reduction in water and sewer net assets of about \$2.2 million due to decreased water and sewer revenues and increased expenses for maintenance and utilities.
- At the close of the fiscal year ended September 30, 2010, the City's governmental funds reported combined ending fund balances of \$31,764,736, an increase of \$4,472,967 in comparison with the prior year. Approximately 25 percent of this total amount, \$8,095,843 is available for use within the City's policies (unassigned fund balance).
- The unassigned fund balance for the general fund was \$8,226,571 or 20 percent of the total general fund expenditures and other financing sources. This represents a \$555,998 increase from the prior fiscal year.
- The City's long-term liabilities increased by \$12,537,460 during the current fiscal year. This was primarily due to the issuance of bonds for dangerous structures abatement and for the relocation of Fire Station No. 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

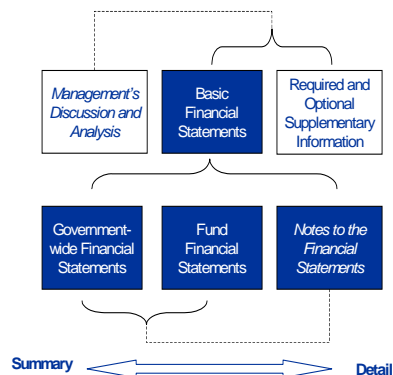
The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer.

The government-wide financial statements can be found in Exhibit A of this report.

Required Components of City of Farmers Branch's Annual Financial Report



CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

Fund Financial Statements - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 19 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, landfill closure/postclosure fund, dangerous structures bond fund, and TIF No. 1 District capital projects fund, which are considered to be major funds. Data from the other 15 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

Proprietary Funds - The City maintains two types of proprietary funds. The water and sewer fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the water and sewer fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services and workers' compensation funds. Because these services predominantly benefit governmental rather than business-type functions they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund is considered a major fund of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found in Exhibit D of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplemental information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplemental information on pensions. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

Major Features of City of Farmers Branch's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire, and parks	Activities the City operates similar to private businesses: such as water/sewer utility
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting And current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after The end of the year; expenditures when goods or services have been received And payment is due during The year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Farmers Branch, assets exceeded liabilities by \$154,755,456 as of September 30, 2010.

The largest portion of the City's net assets (95%) reflects its investments in capital assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (2%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (3%) may be used to meet the government's ongoing obligation to citizens and creditors.

The governmental activities total liabilities increased \$14,039,819 mostly due to the issuance of bonds. The governmental activities current and other assets increased by \$5,065,608 primarily due to unspent bond proceeds that will be spent as the intended projects are completed in future fiscal periods. The business-type activities total net assets decreased \$2,259,420 due to reduced revenues and higher maintenance and utilities expenses.

CONDENSED NET ASSETS

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 39,999,476	\$ 34,933,868	\$ 17,079,805	\$ 17,974,249	\$ 57,079,281	\$ 52,908,117
Capital assets	126,690,532	126,514,009	42,303,936	43,541,985	168,994,468	170,055,994
Total assets	166,690,008	161,447,877	59,383,741	61,516,234	226,073,749	222,964,111
Noncurrent liabilities	60,341,520	47,798,835	354,505	359,730	60,696,025	48,158,565
Other liabilities	9,694,374	8,197,240	927,894	795,742	10,622,268	8,992,982
Total liabilities	70,035,894	55,996,075	1,282,399	1,155,472	71,318,293	57,151,547
Net assets:						
Invested in capital assets,						
net of related debt	104,287,452	101,952,256	42,116,214	43,477,996	146,403,666	145,430,252
Restricted	3,440,800	6,694,969			3,440,800	6,694,969
Unrestricted	(11,074,138)	(3,195,423)	15,985,128	16,882,766	4,910,990	13,687,343
Total net assets	\$ 96,654,114	\$ 105,451,802	\$ 58,101,342	\$ 60,360,762	\$ 154,755,456	\$ 165,812,564

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

Analysis of the City's Operations – Governmental activities decreased the City's net assets by \$8,797,688. Total governmental activities revenues increased \$2,144,320. Property taxes increased by \$1,806,915 due to a tax rate increase from \$.4945 to \$.5195 per \$100 of assessed property tax value and an increase in certified values. Capital grants and contributions increased \$1,167,908 mainly due to increased funding from the Dallas Area Rapid Transit Authority and the Texas Department of Transportation for rail station area improvements. Governmental activities expenses decreased \$178,433. General government expenses increased by \$4,624,759 mainly due to a loss in market value of land purchased for the abatement of dangerous structures within the City. Road resurfacing and repair by the City's public works department decreased significantly from fiscal year 2009 as bond proceeds for these projects had been mostly exhausted during that fiscal period.

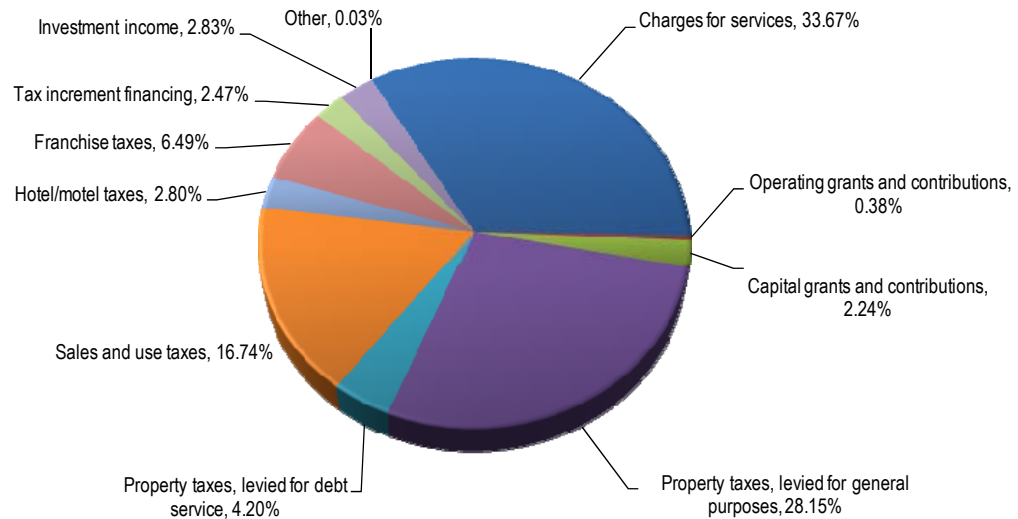
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 8,536,524	\$ 7,535,552	\$ 13,368,650	\$ 14,188,751	\$ 21,905,174	\$ 21,724,303
Operating grants and contributions	245,328	134,927			245,328	134,927
Capital grants and contributions	1,460,179	292,271			1,460,179	292,271
General revenues:						
Taxes:						
Property taxes, levied for general purposes	18,311,639	17,087,985			18,311,639	17,087,985
Property taxes, levied for debt service	2,731,178	2,147,917			2,731,178	2,147,917
Sales and use taxes	10,890,296	11,912,047			10,890,296	11,912,047
Hotel/motel taxes	1,821,619	1,974,308			1,821,619	1,974,308
Franchise taxes	4,221,551	4,262,868			4,221,551	4,262,868
Tax increment financing	1,606,497	2,095,651			1,606,497	2,095,651
Investment income	1,777,261	1,998,392	62,486	248,022	1,839,747	2,246,414
Other	20,953	36,787	17,525	25,716	38,478	62,503
Total revenues	51,623,025	49,478,705	13,448,661	14,462,489	65,071,686	63,941,194
Expenses:						
General government	16,076,156	11,451,397			16,076,156	11,451,397
Public safety	22,032,570	21,375,045			22,032,570	21,375,045
Public works	9,739,019	16,056,692			9,739,019	16,056,692
Culture and recreation	13,335,886	12,838,761			13,335,886	12,838,761
Interest on long-term debt	1,925,378	1,662,921			1,925,378	1,662,921
Unallocated depreciation	129,904	32,530			129,904	32,530
Water and sewer			12,889,881	12,202,196	12,889,881	12,202,196
Total expenses	63,238,913	63,417,346	12,889,881	12,202,196	76,128,794	75,619,542
Increase (decrease) in net assets before transfers	(11,615,888)	(13,938,641)	558,780	2,260,293	(11,057,108)	(11,678,348)
Transfers	2,818,200	3,350,300	(2,818,200)	(3,350,300)		
Increase (decrease) in net assets	(8,797,688)	(10,588,341)	(2,259,420)	(1,090,007)	(11,057,108)	(11,678,348)
Net assets--beginning	105,451,802	116,040,143	60,360,762	61,450,769	165,812,564	177,490,912
Net assets--ending	\$ 96,654,114	\$ 105,451,802	\$ 58,101,342	\$ 60,360,762	\$ 154,755,456	\$ 165,812,564

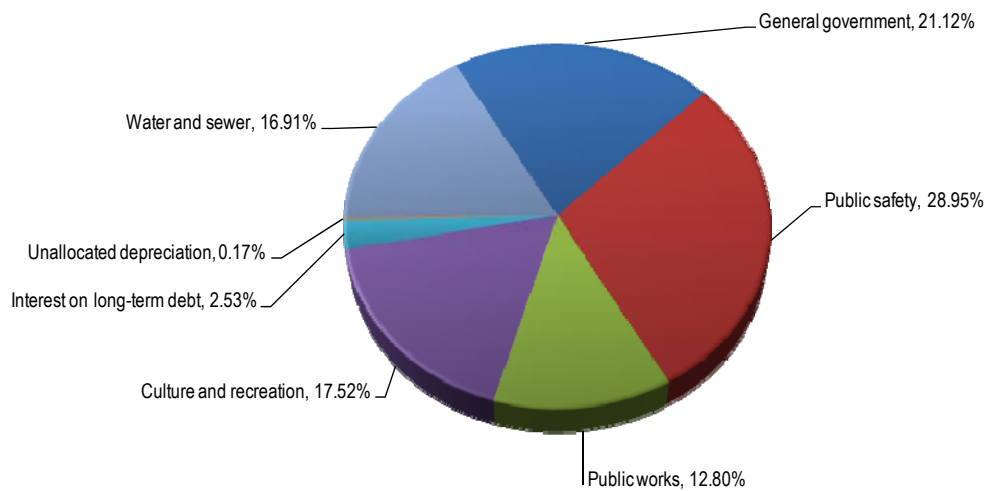
CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

Total Sources of Revenue



Total Expenses by Activity



CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,764,736. Of this total, \$20,574,201 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$212,879 of fund balance is considered unspendable because it has been used for advances, inventory, and prepaid items. A total of \$2,881,813 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining \$8,095,843 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is \$8,226,571, while total fund balance is \$8,628,224. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures and other financing sources. Unassigned fund balance represents 20 percent of total general fund expenditures and other financing sources, while total fund balance represents 21 percent of that same amount.

General fund revenues were slightly lower than budgeted in almost every category as the impact of the current economic downturn has continued. The result was that fund balance decreased by \$200,825. The decrease would have been larger except that \$939,400 was transferred into the general fund from the non-bond capital projects fund to adjust fund balances to targeted levels.

Landfill closure/postclosure fund balance decreased \$597,474 as expenditures for the gas collection system exceeded investment income. During the fiscal year, the dangerous structures bond fund was added to account for bond proceeds to be used to acquire and demolish dangerous structures within the City. TIF No. 1 District capital projects fund balance decreased \$1,860,272 due primarily to repayment of developer loans.

Proprietary Funds - The City's water and sewer fund is one component of proprietary funds. The water and sewer fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the water and sewer fund were \$15,982,876 of which \$8,573,372 is intended for capital improvements. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for equipment services and the City's workers' compensation self-insurance program. Because both of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

General Fund Budgetary Highlights - During the fiscal year ended September 30, 2010, the City Council adopted amendments to the budget. As the impact of the economic downturn continued, budgeted general fund revenues were decreased by \$962,300. The sales tax budget was reduced \$1,360,000 due to the economy negatively affecting area business sales. Budgeted revenues for charges for services increased by \$922,500. About two-thirds of this increase was due to one-time carbon credit revenues. Budgeted revenue for franchise taxes was decreased by \$688,000 due to regulatory changes which impacted electric franchise receipts and falling natural gas prices which impacted gas franchise receipts. To partially offset the decreased revenues, total budgeted expenditures were decreased by \$486,800 by reducing street maintenance and excess workers' compensation funding. Additionally, the budget for transfers in was increased by \$1,017,000 primarily from the elimination of pay-as-you go projects in the non-bond capital projects fund to achieve targeted fund balances in the general fund.

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2010, amounts to \$168,994,468 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, and construction in progress.

Major capital asset events during the current fiscal year included the following:

Completed Projects

- Land for relocation of Fire Station No. 1 for \$1,100,000.
- Utility improvements to water and sanitary sewer lines for \$650,000.
- Median improvements at Valley View West and Mira Lago of \$570,000.
- Sidewalk and access trails in the Parkwest area and sidewalks at Dennis Lane and Hearthstone Drive of \$370,000.
- Skatewave skate park equipment for \$80,000.

Amounts Spent for Ongoing Projects

- Street and utility improvements in the Farmers Branch Station Streets area for \$2,300,000.
- Other utility improvements to water and sanitary sewer lines for about \$1,000,000.
- Infrastructure improvements in TIF No. 1 District for about \$300,000.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 41,614,156	\$ 40,493,598	\$ 603,364	\$ 603,364	\$ 42,217,520	\$ 41,096,962
Buildings	35,460,041	36,256,488	2,748,192	3,024,853	38,208,233	39,281,341
Equipment	6,694,136	7,650,564	1,203,895	1,306,665	7,898,031	8,957,229
Improvements	4,912,156	4,438,975	3,867	5,414	4,916,023	4,444,389
Infrastructure	32,740,845	34,185,012	35,650,846	36,774,029	68,391,691	70,959,041
Intangible assets	49,262	39,780			49,262	39,780
Construction in progress	5,219,936	3,449,592	2,093,772	1,827,660	7,313,708	5,277,252
Total	<u>\$ 126,690,532</u>	<u>\$ 126,514,009</u>	<u>\$ 42,303,936</u>	<u>\$ 43,541,985</u>	<u>\$ 168,994,468</u>	<u>\$ 170,055,994</u>

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.C).

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$27,380,000. Of this amount, \$18,530,000 comprises bonded debt backed by the full faith and credit of the government and \$8,850,000 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars and is backed by the full faith and credit of the government. The developer advances of \$8,668,887 represent a loan to the City for capital project costs payable only from Tax Increment Financing District No. 1 funds.

Outstanding Debt at Year-End

	Governmental Activities	
	2010	2009
General obligation bonds	\$ 18,530,000	\$ 5,380,000
Special revenue bonds	8,850,000	9,385,000
Developer advances	8,668,887	10,468,887
Total	<u>\$ 36,048,887</u>	<u>\$ 25,233,887</u>

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2010
(Unaudited)

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investors Service	Date Confirmed	Standard & Poor's	Date Confirmed
General obligation bonds				
2002 General obligation refunding	Aa2	November 15, 2010	AA+	November 19, 2010
2007 Certificates of obligation (bank issue)	n/a	n/a	n/a	n/a
2009 Combination tax and revenue, taxable	n/a	n/a	AA+	November 19, 2010
2010 General obligation refunding and improvement	Aa2	November 15, 2010	AA+	November 19, 2010
Special revenue bonds				
2004 Combination tax and revenue, taxable (insured MBIA)	Aa2	November 15, 2010	AA+	November 19, 2010
2010 General obligation refunding and improvement	Aa2	November 15, 2010	AA+	November 19, 2010

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.E).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2011 budget reflects the economic recession's impact in terms of reducing sales and property tax revenue growth. These two revenue sources represent 70 percent of general fund revenues. Property values declined by 8.7 percent. Property tax rates were increased from 51.95 cents to 52.95 cents per \$100 valuation. The entire tax rate increase was related to a voter-authorized debt issuance in fiscal year 2010 for the relocation of Fire Station No. 1. Sales tax revenue was budgeted to increase by 5 percent. The combined effect of these two revenue sources alone was to reduce general fund budgeted revenue by \$678,600. To offset revenue losses, City management has assessed current staff levels and plans to reduce general fund staffing by outsourcing the library and residential sanitation operations, offering early retirement incentives, and eliminating vacant positions. The full effect of the structural changes will be fully realized in fiscal year 2012 and savings are conservatively estimated at \$1.5 million to \$2.0 million. Budgeted expenses for the water and sewer fund are projected to decrease \$35,000 primarily due to decreased purchased water and wastewater treatment costs. No water and sewer rate increase is proposed.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail charles.cox@farmersbranch.info.

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash, cash equivalents, and investments	\$ 31,323,047	\$ 8,722,073	\$ 40,045,120	\$ 73,283
Receivables, net of allowance for doubtful accounts	6,153,673	2,299,470	8,453,143	59
Inventory of materials and supplies	2,087,697		2,087,697	
Deposits	20,000		20,000	
Prepaid items	11,508	139,734	151,242	
Investment in joint venture		5,918,528	5,918,528	
Deferred charges	403,551		403,551	
Capital assets:				
Nondepreciable	46,834,092	2,697,136	49,531,228	
Depreciable, net of accumulated depreciation	79,856,440	39,606,800	119,463,240	
Total assets	166,690,008	59,383,741	226,073,749	73,342
LIABILITIES				
Accounts payable and accrued liabilities	3,409,926	718,486	4,128,412	
Accrued interest payable	5,017,640		5,017,640	
Deposits payable	793,287	164,908	958,195	
Internal balances	2,252	(2,252)		
Unearned revenue	391,217		391,217	
Retainage payable	80,052	46,752	126,804	
Noncurrent liabilities:				
Due within one year	3,729,804	44,029	3,773,833	
Due in more than one year	56,611,716	310,476	56,922,192	
Total liabilities	70,035,894	1,282,399	71,318,293	
NET ASSETS				
Invested in capital assets, net of related debt	104,287,452	42,116,214	146,403,666	
Restricted for:				
Construction of capital assets	717,135		717,135	
Promotion of tourism	1,076,163		1,076,163	
Purposes of grantors/trustees	295,665		295,665	
Debt service	508,793		508,793	
Law enforcement	843,044		843,044	
Unrestricted	(11,074,138)	15,985,128	4,910,990	73,342
Total net assets	\$ 96,654,114	\$ 58,101,342	\$ 154,755,456	\$ 73,342

CITY OF FARMERS BRANCH, TEXAS

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,076,156	\$ 693,679	\$ 28,923	\$
Public safety	22,032,570	4,264,166	119,715	202,999
Public works	9,739,019	2,753,067	400	1,207,040
Culture and recreation	13,335,886	825,612	96,290	50,140
Interest on long-term debt	1,925,378			
Unallocated depreciation	129,904			
Total governmental activities	63,238,913	8,536,524	245,328	1,460,179
Business-type activities:				
Water and sewer	12,889,881	13,368,650		
Total business-type activities	12,889,881	13,368,650		
Total primary government	\$ 76,128,794	\$ 21,905,174	\$ 245,328	\$ 1,460,179
Component units:				
Industrial development corporation	\$ 2,032	\$	\$	\$
Farmers Branch local government corporation	161			
Total component units	\$ 2,193	\$	\$	\$
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales and use taxes				
Hotel/motel taxes				
Franchise taxes				
Tax increment financing				
Investment income				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets--beginning, restated (note F.5 page 41)				
Net assets--ending				

The accompanying notes are an integral part of the financial statements.

Exhibit A-2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (15,353,554)	\$	\$ (15,353,554)	
(17,445,690)		(17,445,690)	
(5,778,512)		(5,778,512)	
(12,363,844)		(12,363,844)	
(1,925,378)		(1,925,378)	
(129,904)		(129,904)	
<u>(52,996,882)</u>		<u>(52,996,882)</u>	
	478,769	478,769	
	<u>478,769</u>	<u>478,769</u>	
<u>\$ (52,996,882)</u>	<u>\$ 478,769</u>	<u>\$ (52,518,113)</u>	
		\$ (2,032)	
		(161)	
		<u>\$ (2,193)</u>	
18,311,639		18,311,639	
2,731,178		2,731,178	
10,890,296		10,890,296	
1,821,619		1,821,619	
4,221,551		4,221,551	
1,606,497		1,606,497	
1,777,261	62,486	1,839,747	243
20,953	17,525	38,478	
2,818,200	(2,818,200)		
<u>44,199,194</u>	<u>(2,738,189)</u>	<u>41,461,005</u>	<u>243</u>
<u>(8,797,688)</u>	<u>(2,259,420)</u>	<u>(11,057,108)</u>	<u>(1,950)</u>
105,451,802	60,360,762	165,812,564	75,292
<u>\$ 96,654,114</u>	<u>\$ 58,101,342</u>	<u>\$ 154,755,456</u>	<u>\$ 73,342</u>

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	Landfill Closure/ Postclosure	Dangerous Structures Bond	TIF No. 1 District	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash, cash equivalents, and investments	\$ 8,008,761	\$ 7,937,950	\$ 3,035,755	\$ 9	\$ 11,473,062	\$ 30,455,537
Receivables, net	4,752,988			673,082	650,543	6,076,613
Accrued interest and other	24,285	18,959	7,376	3,313	23,127	77,060
Due from other funds	124,600					124,600
Inventories			2,016,395		5,312	2,021,707
Advances to other funds					200,000	200,000
Prepaid items	7,567					7,567
Total assets	<u>\$ 12,918,201</u>	<u>\$ 7,956,909</u>	<u>\$ 5,059,526</u>	<u>\$ 676,404</u>	<u>\$ 12,352,044</u>	<u>\$ 38,963,084</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,754,018	\$ 79,940	\$ 3,500	\$ 29,994	\$ 355,205	\$ 3,222,657
Deposits payable	24,337				768,950	793,287
Arbitrage payable					4,457	4,457
Due to other funds				58,500	66,100	124,600
Deferred revenue	1,511,622			673,082	588,591	2,773,295
Advances from other funds					200,000	200,000
Retainage payable					80,052	80,052
Total liabilities	<u>4,289,977</u>	<u>79,940</u>	<u>3,500</u>	<u>761,576</u>	<u>2,063,355</u>	<u>7,198,348</u>
Fund balances:						
Nonspendable:						
Advances					200,000	200,000
Inventory					5,312	5,312
Prepaid items	7,567					7,567
Restricted for:						
Construction of capital assets					4,922,853	4,922,853
Landfill closure/postclosure		7,876,969				7,876,969
Dangerous structures abatement			5,056,026			5,056,026
Promotion of tourism					1,070,851	1,070,851
Purpose of grantors, trustees and donors					295,665	295,665
Debt service					508,793	508,793
Law enforcement					843,044	843,044
Assigned to:						
Construction of capital assets					1,916,482	1,916,482
Other capital assets	213,852					213,852
Debt service					571,245	571,245
Other purposes	180,234					180,234
Unassigned	8,226,571			(85,172)	(45,556)	8,095,843
Total fund balances	<u>8,628,224</u>	<u>7,876,969</u>	<u>5,056,026</u>	<u>(85,172)</u>	<u>10,288,689</u>	<u>31,764,736</u>
Total liabilities and fund balances	<u>\$ 12,918,201</u>	<u>\$ 7,956,909</u>	<u>\$ 5,059,526</u>	<u>\$ 676,404</u>	<u>\$ 12,352,044</u>	<u>\$ 38,963,084</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total Fund Balances - Total Governmental Funds: \$ 31,764,736

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the governmental funds balance sheet (net of internal service fund assets of \$255,676). 126,434,856

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. 2,382,078

Internal service funds are used by management to charge the cost of certain activities, such as fleet management and workers' compensation, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities of \$2,252). 534,018

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable and developer advances	\$ (36,048,887)	
Less deferred interest from refunding and bond discount amortization	(77,767)	
Less deferred charges	403,551	
Accrued interest	(5,017,640)	
Compensated absences (net of internal service fund \$66,522)	(6,655,934)	
TMRS liability	(2,135,404)	
OPEB liability (net of internal service fund of \$6,193)	(440,518)	
Landfill liability	(14,488,975)	
Combined adjustment		(64,461,574)
Net assets of governmental activities		<u>\$ 96,654,114</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	General	Landfill Closure/ Postclosure	Dangerous Structures Bond	TIF No. 1 District	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 18,461,087	\$	\$	\$	\$ 2,799,104	\$ 21,260,191
Sales and use taxes	10,890,296					10,890,296
Hotel/motel taxes					1,821,619	1,821,619
Franchise taxes	4,217,372					4,217,372
Tax increment financing				808,858	122,260	931,118
Licenses and permits	559,979					559,979
Charges for services	4,803,469					4,803,469
Fines and forfeitures	2,509,385				542,676	3,052,061
Special assessments					443,793	443,793
Investment income	526,954	59,960	23,327	10,479	781,541	1,402,261
Intergovernmental					1,522,035	1,522,035
Developer's contributions					90,919	90,919
Miscellaneous	63,759				122,878	186,637
Total revenues	42,032,301	59,960	23,327	819,337	8,246,825	51,181,750
EXPENDITURES						
Current:						
General government	10,020,465		6,980		144,380	10,171,825
Public safety	19,678,114				681,837	20,359,951
Public works	6,383,693	657,434			435	7,041,562
Culture and recreation	10,022,539				2,137,817	12,160,356
Debt service:						
Principal retirement				1,800,000	2,515,000	4,315,000
Interest and fiscal agent charges					962,417	962,417
Issuance costs			132,530		116,512	249,042
Loss due to decline in market value			4,827,791			4,827,791
Capital outlay				851,241	3,905,201	4,756,442
Total expenditures	46,104,811	657,434	4,967,301	2,651,241	10,463,599	64,844,386
Deficiency of revenues under expenditures	(4,072,510)	(597,474)	(4,943,974)	(1,831,904)	(2,216,774)	(13,662,636)
OTHER FINANCING SOURCES (USES)						
Transfers in	4,172,968				1,872,000	6,044,968
Transfers out	(362,800)			(28,368)	(2,835,600)	(3,226,768)
Certificates of obligation issued			10,000,000			10,000,000
General obligation refunding and improvement bonds issued					7,160,000	7,160,000
Premiums on debt issued					142,956	142,956
Payment to refunded bond escrow agent					(2,073,612)	(2,073,612)
Sale of capital assets/insurance recoveries	61,517				26,542	88,059
Total other financing sources (uses)	3,871,685		10,000,000	(28,368)	4,292,286	18,135,603
Net change in fund balances	(200,825)	(597,474)	5,056,026	(1,860,272)	2,075,512	4,472,967
Fund balances--beginning	8,829,049	8,474,443		1,775,100	8,213,177	27,291,769
Fund balances--ending	\$ 8,628,224	\$ 7,876,969	\$ 5,056,026	\$ (85,172)	\$ 10,288,689	\$ 31,764,736

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds \$ 4,472,967

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$5,326,095) were less than depreciation (\$5,452,308) in the current period. (126,213)

The net effect of the various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. 352,478

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase/(decrease) during the current year in deferred revenue that is earned, but not collected.

Property tax revenue	\$ (217,374)	
Franchise taxes	4,179	
Tax increment financing	675,379	
Special assessments	(403,835)	
Ambulance revenue	(13,027)	
Net adjustment		45,322

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:

General obligation refunding and improvement bonds issued	\$ (7,160,000)
Certificates of obligation issued	(10,000,000)
Deferred charge - issuance costs	249,042
Premium on refunded bonds	(142,956)
Total proceeds	\$ (17,053,914)

Repayments:

To bond holders	6,388,612	
Net adjustment		(10,665,302)

Some expenses reported in the government-wide statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ (114,418)	
TMRS liability	(1,202,976)	
OPEB liability	(212,922)	
Difference in debt-related amortizations	(44,714)	
Accrued interest on long-term debt	(953,457)	
Landfill liability	68,707	
Net adjustment		(2,459,780)

Internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers' compensation, to individual funds. The net income/(loss) of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of \$70,492). (417,160)

Change in net assets of governmental activities: \$ (8,797,688)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 18,300,000	\$ 18,540,000	\$ 18,461,087	\$	\$ 18,461,087	\$ (78,913)
Sales and use tax	12,786,000	11,426,000	10,890,296		10,890,296	(535,704)
Franchise taxes	5,056,000	4,368,000	4,217,372		4,217,372	(150,628)
Licenses and permits	626,000	563,100	559,979		559,979	(3,121)
Charges for services	4,089,200	5,011,700	4,803,469		4,803,469	(208,231)
Fines and forfeitures	2,229,000	2,485,900	2,509,385		2,509,385	23,485
Investment income	741,000	516,200	526,954		526,954	10,754
Miscellaneous	129,900	83,900	63,759		63,759	(20,141)
Total revenues	43,957,100	42,994,800	42,032,301		42,032,301	(962,499)
EXPENDITURES						
Current:						
General government	9,946,200	10,265,700	10,020,465	(40,100)	9,980,365	285,335
Public safety	20,118,500	19,795,700	19,678,114	(94,636)	19,583,478	212,222
Public works	6,664,600	6,318,000	6,383,693	(183,503)	6,200,190	117,810
Culture and recreation	10,364,100	10,227,200	10,022,539	(41,268)	9,981,271	245,929
Total expenditures	47,093,400	46,606,600	46,104,811	(359,507)	45,745,304	861,296
Deficiency of revenues under expenditures	(3,136,300)	(3,611,800)	(4,072,510)	359,507	(3,713,003)	(101,203)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,177,600	4,194,600	4,172,968		4,172,968	(21,632)
Transfers out	(12,500)	(362,800)	(362,800)		(362,800)	
Sale of capital assets/insurance recoveries	171,500	171,500	61,517		61,517	(109,983)
Total other financing sources	3,336,600	4,003,300	3,871,685		3,871,685	(131,615)
Net change in fund balance	200,300	391,500	(200,825)	359,507	158,682	(232,818)
Fund balances--beginning	8,289,308	8,289,308	8,829,049	(539,741)	8,289,308	
Fund balances--ending	\$ 8,489,608	\$ 8,680,808	\$ 8,628,224	\$ (180,234)	\$ 8,447,990	\$ (232,818)
Explanation of differences:						
Expenditures of amounts encumbered at September 30, 2009					\$ 539,741	
Encumbrances outstanding at September 30, 2010 are considered an assignment of fund balance for GAAP basis reporting but recognized as expenditures for budget purposes,					(180,234)	
Net decrease in fund balance - GAAP to budget					\$ 359,507	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - LANDFILL CLOSURE/POSTCLOSURE FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment income	\$ 201,600	\$ 80,000	\$ 59,960	\$	\$ 59,960	\$ (20,040)
Total revenues	201,600	80,000	59,960		59,960	(20,040)
EXPENDITURES						
Current:						
Public works	1,535,500	721,512	657,434		657,434	64,078
Total expenditures	1,535,500	721,512	657,434		657,434	64,078
Deficiency of revenues under expenditures	(1,333,900)	(641,512)	(597,474)		(597,474)	44,038
Fund balances--beginning	8,474,443	8,474,443	8,474,443		8,474,443	
Fund balances--ending	\$ 7,140,543	\$ 7,832,931	\$ 7,876,969	\$	\$ 7,876,969	\$ 44,038

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - DANGEROUS STRUCTURES BOND FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment income	\$	\$ 20,500	\$ 23,327	\$	\$ 23,327	\$ 2,827
Total revenues		20,500	23,327		23,327	2,827
EXPENDITURES						
Current:						
General government		10,000	6,980		6,980	3,020
Issuance costs		149,900	132,530		132,530	17,370
Loss due to decline in market value			4,827,791		4,827,791	(4,827,791)
Total expenditures		159,900	4,967,301		4,967,301	(4,807,401)
Deficiency of revenues under expenditures		(139,400)	(4,943,974)		(4,943,974)	(4,804,574)
OTHER FINANCING SOURCES						
Certificates of obligation issued		10,000,000	10,000,000		10,000,000	
Total other financing sources		10,000,000	10,000,000		10,000,000	
Net change in fund balances		9,860,600	5,056,026		5,056,026	(4,804,574)
Fund balances--beginning						
Fund balances--ending	\$	\$ 9,860,600	\$ 5,056,026	\$	\$ 5,056,026	\$ (4,804,574)

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2010

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
ASSETS		
Current assets:		
Cash, cash equivalents, and investments	\$ 8,722,073	\$ 867,510
Receivables, net	2,279,714	
Accrued interest and other	19,756	
Inventories		65,990
Prepaid items	139,734	3,941
Deposits		20,000
Total current assets	11,161,277	957,441
Noncurrent assets:		
Investment in joint venture	5,918,528	
Capital assets:		
Nondepreciable	2,697,136	8,170
Depreciable, net of accumulated depreciation	39,606,800	247,506
Total noncurrent assets	48,222,464	255,676
Total assets	59,383,741	1,213,117
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	718,486	182,812
Deposits payable	164,908	
Retainage payable	46,752	
Claims payable		168,528
Compensated absences	44,029	27,356
Total current liabilities	974,175	378,696
Noncurrent liabilities:		
Claims payable		252,792
Compensated absences	277,958	39,166
OPEB liability	32,518	6,193
Total noncurrent liabilities	310,476	298,151
Total liabilities	1,284,651	676,847
NET ASSETS		
Invested in capital assets, net of related debt	42,116,214	255,676
Unrestricted	15,982,876	280,594
Total net assets	\$ 58,099,090	\$ 536,270
Reconciliation to government-wide statement of net assets:		
Adjustment to reflect the consolidation of internal service fund activities related to the water and sewer fund	2,252	
Net assets of business-type activities	\$ 58,101,342	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
Operating revenues		
Charges for services	\$ 13,352,443	\$ 2,169,004
Contributions and miscellaneous	16,207	7,229
Total operating revenues	13,368,650	2,176,233
Operating expenses		
Personal services	1,847,978	601,827
Materials and supplies	215,203	1,321,705
Maintenance and utilities	1,771,420	231,678
Purchase of water	4,593,133	
Sewage treatment	2,068,099	
Insurance claims and expenses		450,617
Depreciation	2,253,541	58,058
Total operating expenses	12,749,374	2,663,885
Operating income	619,276	(487,652)
Nonoperating revenues (expenses)		
Investment income	62,486	
Loss of the joint venture	(70,015)	
Gain on sale of capital assets	17,525	
Total nonoperating revenue	9,996	
Income (loss) before transfers	629,272	(487,652)
Transfers out	(2,818,200)	
Change in net assets	(2,188,928)	(487,652)
Net assets--beginning	60,288,018	1,023,922
Net assets--ending	\$ 58,099,090	\$ 536,270
Reconciliation to government-wide statement of net assets:		
Change in net assets	\$ (2,188,928)	
Adjustment to reflect the consolidation of internal service fund activities related to the water and sewer fund	(70,492)	
Change in net assets of business-type activities	\$ (2,259,420)	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 13,551,870	\$
Receipts from interfund services provided		2,193,062
Payments to suppliers	(8,333,231)	(1,555,245)
Payments to employees	(1,850,540)	(590,873)
Payments for loss claims		(282,158)
Payments for interfund services	(272,713)	
Net cash provided (used) by operating activities	3,095,386	(235,214)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(2,818,200)	
Net cash used by noncapital financing activities	(2,818,200)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,015,492)	(8,316)
Proceeds from sale of capital assets	17,525	
Net cash used by capital and related financing activities	(997,967)	(8,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,803,537	
Investment income	89,560	
Net cash provided by investing activities	1,893,097	
Net increase (decrease) in cash and cash equivalents	1,172,316	(243,530)
Cash and cash equivalents - beginning of year	353,739	1,111,040
Cash and cash equivalents - end of year	\$ 1,526,055	\$ 867,510
Cash and cash equivalents - end of year	\$ 1,526,055	\$ 867,510
Investments	7,196,018	
Cash, cash equivalents, and investments - end of year	\$ 8,722,073	\$ 867,510
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss of the joint venture	\$ (70,015)	

The accompanying notes are an integral part of the financial statements.

(continued)

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 619,276	\$ (487,652)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,253,541	58,058
Change in assets and liabilities:		
Decrease in receivables	172,612	4,829
Increase in inventory of materials and supplies		(2,357)
Decrease in deposits		12,000
(Increase) decrease in prepaid items	(79,222)	1,106
Increase in accounts payable	84,660	
Increase in accrued liabilities		21,574
Increase in retainage payable	39,136	
Increase in claims payable		147,332
Increase in deposits payable	10,608	
Increase in OPEB liability	15,429	3,086
Increase (decrease) in accrued compensated absences	(20,654)	6,810
Net cash provided (used) by operating activities	<u>\$ 3,095,386</u>	<u>\$ (235,214)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government; most component units are discretely presented. The City's blended component units, discretely presented component units, and joint venture, which all have a September 30 year-end, are as follows:

Blended Component Units

The Taxing Increment Financing District Number One ("TIF No. 1 District") and Taxing Increment Financing District Number Two ("TIF No. 2 District") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF District No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF District No. 2 is to promote development in the Old Farmers Branch area. The Districts are reported as capital projects funds.

Discretely Presented Component Units

The Farmers Branch Housing Finance Corporation ("Housing Corporation") was created for the special purpose of providing a financing mechanism for the development and ownership of residential and multi-family housing initiatives. The members of the Housing Corporation Board are appointed by the City Council. Thus, the Housing Corporation is a part of the City's reporting entity. The Housing Corporation has placed all mortgage loans and pledged related collateral and credit enhancements with a trustee in an irrevocable trust. Solely, the revenues received from the organizations on whose behalf they were issued secure the conduit bonds, which do not constitute indebtedness of the City nor the Housing Corporation, and the City assumes no responsibility for the operating expenses of the Housing Corporation. Accordingly, the conduit bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2010, there were two series of Single Family Mortgage Revenue Bonds outstanding, Series 1996 and Series 1999, with principal amounts payable of \$85,000 and \$74,142, respectively. The Housing Corporation had no revenues or expenditures and has no assets, liabilities or fund balance as of September 30, 2010; therefore, no financial statements have been presented.

The Farmers Branch Industrial Development Corporation ("Development Corporation") was created for the special purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the City. The members of the Development Corporation Board are appointed by the City Council. The Development Corporation's financial activities are discretely presented in the City's financial statements as a governmental fund. The Development Corporation is authorized to issue industrial development revenue bonds after approval by the City Council. The Development Corporation has issued conduit bonds that have fully matured in previous years. Complete financial statements of the Development Corporation can be obtained from the City's finance department.

The Farmers Branch Local Government Corporation ("FBLGC") was organized for the purpose of aiding, assisting, and acting on behalf of the City in the exercise of its powers to accomplish any governmental purpose of the City and in the promotion of the common good and general welfare of the City including, without limitation, the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. The board members of the FBLGC are appointed by the City Council. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. Complete financial statements of the FBLGC can be obtained from the City's finance department.

Joint Venture

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net assets in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was \$5,918,528 at September 30, 2010. Complete financial statements for the NDCWSC can be obtained from the City's finance department.

B. Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *landfill closure/postclosure fund* is used to account for future landfill costs.

The *dangerous structures bond fund* is used for the purpose of acquiring and demolishing dangerous structures within the City.

The *TIF No. 1 District capital projects fund* accounts for infrastructure construction in the Mercer Crossing tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

The City reports the following major proprietary fund:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

The City reports the following internal service funds:

The *internal service funds* are used to account for equipment services and the City's workers' compensation self-insurance program for the departments of the City on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When fund balance resources are available for a specific purpose in more than one classification, it is the City of Farmers Branch's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1) Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value, except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost. Fair value is based on quoted market prices.

2) Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2010.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

3) Inventories and Prepaid Items

Inventories are stated at the lower of average cost or market for the internal service funds and for the inventory of land held for resale in the special revenue funds. All other inventories in the special revenue funds are stated at average cost. Inventories are recorded as assets when purchased and charged to operations when used.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4) Capital Assets

Capital assets include land, buildings, equipment, improvements, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., software, websites). Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of \$54,384 were received for the year ended September 30, 2010. They are included as an "other financing source" in the general and nonmajor governmental funds. A capitalization threshold of \$5,000 is used for all capital assets. Depreciation on capital assets and amortization of intangible assets are calculated on the straight-line basis over the following estimated useful lives:

Buildings	30 - 50	years
Equipment	5 - 30	years
Improvements	20	years
Intangible assets-software/websites	5	years
Infrastructure	15 - 62.5	years

5) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, a maximum of 720 hours of sick pay is paid for 40 hours per week employees or 1,080 hours for 56 hours per week employees hired before October 1, 1992. Upon retirement or termination, employees hired on October 1, 1992 or later with five years or less of service will be paid a maximum of 120 hours of sick pay for 40 hours per week employees or 180 hours for 56 hours per week employees. Upon retirement or termination, employees hired on October 1, 1992 or later with more than five years of service will be paid a maximum of 240 hours of sick pay for 40 hours per week employees or 360 hours for 56 hours per week employees.

6) Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses. The negative unassigned fund balance of \$85,172 for the TIF No. 1 District fund and of \$45,556 for the nonmajor TIF No. 2 District fund will be eliminated in the upcoming fiscal year as future construction projects will be delayed until there are sufficient TIF revenues to support the expenditures.

The governmental activities unrestricted net assets has a negative balance of \$11,074,138 at September 30, 2010. The City plans to gradually eliminate this negative balance by expanding the current landfill and therefore extending the closure period liability for 40 additional years. Also, the liability for the Texas Municipal Retirement System (TMRS) will be eliminated at the end of the eight year phase-in period and the changes to the retiree health plan for employees hired after January 1, 2007 will ultimately reduce the other postemployment benefits (OPEB) liability.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budget Policy – By August 1 of each fiscal year, the City Manager submits an annual budget to the City Council. Annual operating budgets are prepared on a budgetary basis for all governmental funds, whereby year-end encumbrances are recognized as expenditures in the current year budget. Budgetary data for the capital projects funds has not been presented in these statements as these funds are budgeted over the life of the respective project and not on an annual basis. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year on October 1. Once the budget is approved, the City Manager is authorized to transfer unencumbered appropriations within each department. City Council approval is necessary for transfers of unencumbered appropriations between departments, functions, and funds. Special revenue funds are budgeted at the function level.

Budgetary Data – Budget amounts presented in the general fund, landfill closure/postclosure fund, and dangerous structures bond fund "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" reflect the original budget and the amended budget (which has been adjusted for legally authorized revisions to the annual budget during the year). Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

During the year certain budget amendments were required as projected revenues were lower than anticipated due to the sluggish economy. The general fund budgeted expenditures were decreased by \$486,800 due to reductions in street maintenance of \$187,000 and for workers' compensation funding of \$328,700. The reduction for workers' compensation funding was possible due to sufficient net assets in the workers' compensation fund. Additionally, net transfers to the general fund were increased by \$666,700 to adjust fund balances to targeted levels. The transfer from the non-bond capital projects fund was about \$900,000 and was partially offset by the addition of a transfer out to the debt service fund of \$362,800 for future debt service payments. Budgeted expenditures in the landfill closure/postclosure fund decreased about \$814,000 for construction of a gas collection system. This reduction was due partly to project cost savings and partly to lags in completion of project construction. The dangerous structures bond fund was added after the original budget was adopted; therefore, the entire budget was amended as shown in Exhibit B-7.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2010, expenditures in the dangerous structures bond fund exceeded appropriations by \$4,827,791 due to the loss in valuation for the property purchased at Josey and Valley View Lane resulting primarily from demolition of existing improvements on the property. Redevelopment efforts are expected to increase the overall value for this property. In the nonmajor special revenue donation fund's general government division, expenditures exceeded appropriations by \$6,831 due to legal expenditures made from donations received during the fiscal year for legal defense purposes. Available fund balance was sufficient to provide for the excess expenditures.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year-end, the carrying amount of the City's deposits was (\$220,917) and the bank balance was \$136,581. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the component units' deposits were \$73,283 and the bank balances were \$73,283. The bank balances were completely covered by federal depository insurance.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

The City elects to exclude investments with maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. As of September 30, 2010, the City had the following investments:

Description	Reported Amount	Fair Value	Weighted Average Maturity (in days)
Municipal Obligations	\$ 10,353,853	\$ 10,353,312	213
Fannie Mae Notes	8,624,361	8,631,989	330
Repurchase Agreements	8,419,175	8,419,175	1
Certificates of Deposit Account Registry	4,500,000	4,500,000	168
Federal Farm Credit Bank Notes	4,309,417	4,309,417	365
Federal Home Loan Bank Notes	4,059,231	4,058,440	140
Total Investments	<u>\$ 40,266,037</u>	<u>\$ 40,272,333</u>	
Portfolio Weighted Average Maturity			198

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

Credit Risk. The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments in the bonds of U.S. agencies were rated Aaa by Moody's Investors Service and AAA by Standard and Poor's. The City's investments in municipal obligations are rated Aaa by Moody's Investors Service and AAA by Standard and Poor's for City of Charlotte general obligation bonds in the amount of \$3,049,020 and A1 by Moody's Investors Service and A+ by Standard and Poor's for State of Illinois general obligation bonds of \$7,304,833.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 25.71% invested in Municipal Obligations, 11.18% in Certificates of Deposit Account Registry, and 20.91% invested in Federal Home Loan Bank as of September 30, 2010. The remaining 31.96% of the City's investments is invested in U.S. government issues or U.S. guaranteed obligations.

Cash and cash equivalents are reported at cost. Total deposits and investments are presented on the Statement of Net Assets as:

	Primary Government	Component Units	Reporting Entity
Cash, cash equivalents, and investments	\$ 40,045,120	\$ 73,283	\$ 40,118,403

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	TIF No. 1 District	Nonmajor Governmental	Water and Sewer	Total
Receivables:					
Property tax	\$ 747,109	\$	\$ 161,447	\$	\$ 908,556
Other taxes	3,511,384		172,902		3,684,286
Accounts	1,748,816		183,824	938,130	2,870,770
Unbilled accounts				1,408,792	1,408,792
Assessments		673,082	153,960		827,042
Gross receivables	6,007,309	673,082	672,133	2,346,922	9,699,446
Less: Allowance for uncollectibles	(1,254,321)		(21,590)	(67,208)	(1,343,119)
Net total receivables	\$4,752,988	\$ 673,082	\$ 650,543	\$2,279,714	\$8,356,327

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

C. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Primary Government			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 40,493,598	\$ 1,120,558		\$ 41,614,156
Construction in progress	3,449,592	2,100,261	(329,917)	5,219,936
Total capital assets, not being depreciated	43,943,190	3,220,819	(329,917)	46,834,092
Capital assets, being depreciated				
Improvements	8,687,772	858,486		9,546,258
Buildings	44,393,695	121,175		44,514,870
Equipment	22,496,307	1,065,191	(478,729)	23,082,769
Infrastructure	91,500,507	748,453		92,248,960
Intangible assets - software/websites*	794,986	112,278		907,264
Total capital assets, being depreciated	167,873,267	2,905,583	(478,729)	170,300,121
Less accumulated depreciation for:				
Improvements	(4,248,797)	(385,305)		(4,634,102)
Buildings	(8,137,207)	(917,622)		(9,054,829)
Equipment	(14,845,743)	(1,912,023)	369,133	(16,388,633)
Infrastructure	(57,315,495)	(2,192,620)		(59,508,115)
Intangible assets - software/websites*	(755,206)	(102,796)		(858,002)
Total accumulated depreciation	(85,302,448)	(5,510,366)	369,133	(90,443,681)
Total capital assets, being depreciated, net	82,570,819	(2,604,783)	(109,596)	79,856,440
Governmental activities capital assets, net	\$ 126,514,009	\$ 616,036	\$ (439,513)	\$ 126,690,532
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 603,364	\$	\$	\$ 603,364
Construction in progress	1,827,660	945,386	(679,274)	2,093,772
Total capital assets, not being depreciated	2,431,024	945,386	(679,274)	2,697,136
Capital assets, being depreciated:				
Improvements	23,206			23,206
Buildings	8,784,002			8,784,002
Equipment	3,114,358	150,670	(39,795)	3,225,233
Infrastructure	74,702,341	598,710	(9,375)	75,291,676
Total capital assets, being depreciated	86,623,907	749,380	(49,170)	87,324,117
Less accumulated depreciation for:				
Improvements	(17,792)	(1,547)		(19,339)
Buildings	(5,759,149)	(276,661)		(6,035,810)
Equipment	(1,807,693)	(253,440)	39,795	(2,021,338)
Infrastructure	(37,928,312)	(1,721,893)	9,375	(39,640,830)
Total accumulated depreciation	(45,512,946)	(2,253,541)	49,170	(47,717,317)
Total capital assets, being depreciated, net	41,110,961	(1,504,161)		39,606,800
Business-type activities capital assets, net	\$ 43,541,985	\$ (558,775)	\$ (679,274)	\$ 42,303,936

*Beginning balances added for intangible assets with implementation of GASB Statement No. 51.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function's or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 266,394
Public safety	1,095,340
Public works, which includes the depreciation of general infrastructure assets	2,659,939
Culture and recreation	1,358,789
Unallocated	129,904
Total depreciation expense - governmental activities	<u>\$ 5,510,366</u>
Business-type activities:	
Water and sewer	\$ 2,253,541
Total depreciation expense business-type activities	<u>\$ 2,253,541</u>

Construction Commitments and Other Significant Commitments Including Encumbrances

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2010, the City had outstanding construction contracts totaling \$1,430,511 that will be financed from operating funds. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

	<u>Construction Commitments/ Encumbrances</u>
TIF No. 1 District fund	\$ 71,616
Water and sewer fund	711,708
Non-major capital projects funds	647,187
Total	<u>\$ 1,430,511</u>
	<u>Encumbrances</u>
General fund for other purposes	\$ 180,234
Non-major funds other than capital projects	372,868
Total	<u>\$ 553,102</u>

D. Interfund Receivables, Payables, and Transfers

Interfund balances at September 30, 2010 consisted of the following:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund - Grant fund	\$ 66,100
General fund	TIF No. 1 District fund	58,500

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Purpose of Due To / From Other Funds

Due to/from transactions are used for short-term interfund loans. The outstanding balance for the grant fund is the result of a time lag between the date the grant revenue was received and the date the qualifying grant expenditure was made. The outstanding balance for the TIF No. 1 District fund is due to project expenditures incurred prior to receipt of tax increment financing revenue payments.

Advances from / to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-bond capital projects fund	Nonmajor governmental fund - TIF No. 2 District fund	\$ 200,000

Purpose of Advances

Advances are used for long-term interfund loans. The advance listed above is to finance the start of construction projects in the TIF No. 2 District until adequate tax revenues have been received.

Government interfund transfers during the year ended September 30, 2010 were as follows:

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General fund	\$	\$ 362,800	\$ 362,800
TIF No. 1 District fund	28,368		28,368
Nonmajor governmental funds	1,326,400	1,509,200	2,835,600
Water and sewer fund	2,818,200		2,818,200
Total	<u>\$ 4,172,968</u>	<u>\$ 1,872,000</u>	<u>\$ 6,044,968</u>

Eliminations

Interfund receivables, payables, and transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

E. Long-Term Debt and Obligations

Long-term liability activity for the year ended September 30, 2010 is summarized as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 5,380,000	\$ 15,470,000	\$ (2,320,000)	\$ 18,530,000	\$ 2,450,000
Special revenue bonds	9,385,000	1,690,000	(2,225,000)	8,850,000	600,000
Less deferred amounts:					
For discounts and premiums	(11,337)	142,956	(354)	131,265	5,504
On refunding	(19,744)	(43,612)	9,858	(53,498)	(17,128)
Total bonds payable	14,733,919	17,259,344	(4,535,496)	27,457,767	3,038,376
Developer advances	10,468,887		(1,800,000)	8,668,887	
Compensated absences	6,601,228	2,420,260	(2,299,032)	6,722,456	522,900
TMRS liability	932,428	1,202,976		2,135,404	
OPEB liability	230,703	464,550	(248,542)	446,711	
Claims payable	273,988	385,471	(238,139)	421,320	168,528
Landfill closure and postclosure care costs	14,557,682	386,902	(455,609)	14,488,975	
Governmental activities long-term debt	\$ 47,798,835	\$ 22,119,503	\$ (9,576,818)	\$ 60,341,520	\$ 3,729,804
<u>Business-type activities</u>					
Compensated absences	\$ 342,641	\$ 119,546	\$ (140,200)	\$ 321,987	\$ 44,029
OPEB liability	17,089	33,182	(17,753)	32,518	
Business-type activities long-term debt	\$ 359,730	\$ 152,728	\$ (157,953)	\$ 354,505	\$ 44,029
Total	\$ 48,158,565	\$ 22,272,231	\$ (9,734,771)	\$ 60,696,025	\$ 3,773,833

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of \$421,320, compensated absences of \$66,522, and OPEB of \$6,193 are included in the above amounts. Also, for the governmental activities, claims payable, compensated absences, and OPEB and TMRS liabilities are generally liquidated by the general fund and hotel/motel fund.

The developer advances will be liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Bonds payable at September 30, 2010 are comprised of the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Amount Outstanding
<u>Governmental activities</u>				
General obligation bonds:				
2002 General obligation refunding	3.00 - 3.70	12/16/2002	8/15/2012	\$ 410,000
2007 Certificates of obligation	3.45	10/18/2007	8/15/2012	3,235,000
2009 Certificates of obligation, taxable	1.50 - 5.22	10/15/2009	8/15/2024	9,415,000
2010 General obligation refunding and improvement bonds	2.00 - 4.00	6/17/2010	2/15/2030	5,470,000
Total general obligation bonds				<u>18,530,000</u>
Special revenue bonds:				
2004 Combination tax and revenue, taxable	2.65 - 5.80	4/5/2004	11/1/2029	7,160,000
2010 General obligation refunding and improvement bonds	2.00 - 4.00	6/17/2010	2/15/2014	1,690,000
Total special revenue bonds				<u>8,850,000</u>
Total governmental activities				<u>\$ 27,380,000</u>

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2010 are as follows:

Governmental activities

Year Ending September 30	<u>General Obligation Bonds/Certificates of Obligation</u>			<u>Special Revenue Bonds</u>		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 2,450,000	\$ 763,606	\$ 3,213,606	\$ 600,000	\$ 441,883	\$ 1,041,883
2012	2,585,000	638,809	3,223,809	625,000	414,580	1,039,580
2013	745,000	557,330	1,302,330	655,000	395,364	1,050,364
2014	775,000	536,391	1,311,391	680,000	374,117	1,054,117
2015	805,000	510,937	1,315,937	245,000	356,674	601,674
2016-2020	4,555,000	2,030,235	6,585,235	1,465,000	1,550,775	3,015,775
2021-2025	4,805,000	864,822	5,669,822	1,965,000	1,056,325	3,021,325
2026-2030	1,810,000	187,000	1,997,000	2,615,000	396,865	3,011,865
Total	<u>\$ 18,530,000</u>	<u>\$ 6,089,130</u>	<u>\$ 24,619,130</u>	<u>\$ 8,850,000</u>	<u>\$ 4,986,583</u>	<u>\$ 13,836,583</u>

General Obligation Bonds and Certificates of Obligation – The City of Farmers Branch issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the city. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement.

During the year, the City of Farmers Branch issued Combination Tax and Revenue Certificates of Obligation, Taxable Series 2009 in the amount of \$10,000,000 and General Obligation Refunding and Improvement Bonds, Series 2010 in the amount of \$7,160,000. The Certificates were issued for the purpose of acquiring and demolishing dangerous structures within the City. The Bonds were issued to design, construct, equip, and furnish fire fighting and Fire Station facilities, in order to accomplish the relocation of Fire Station No. 1 and the Emergency Operations Center. The amount for this purpose was \$5,470,000. See the Special Revenue Bonds paragraph below for information about the refunding portion of the Bonds. The original amount of general obligation bonds issued in prior years was \$10,125,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Special Revenue Bonds – The City of Farmers Branch issued special revenue bonds to provide funds for the acquisition and construction of a community ice-skating and conference facility including public parking areas. Special revenue bonds are payable from the hotel occupancy tax and lease payments from the Dallas Stars with any deficiency to be paid from lessee deposits and/or from ad valorem taxes.

Due to favorable interest rates during fiscal year 2010, the City issued \$1,690,000 of General Obligation Refunding and Improvement Bonds, Series 2010 to refund all of the City's outstanding \$4,800,000 Combination Tax and Hotel Occupancy Certificates of Obligation, Series 1999. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$43,612. This amount is being netted against the new debt and amortized over the life of the old debt, which was shorter. The transaction resulted in an economic gain of \$126,924 and a reduction of \$150,167 in future debt service payments. The original amount of special revenue bonds issued in prior years is \$7,895,000.

Defeased Bonds Outstanding – In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2010, \$1,165,000 of bonds outstanding is considered defeased.

Developer Advances – The City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date.

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the City of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 24.5 million cubic yards will be reached in approximately 24 years. The City recognizes a portion of the final closure and post-closure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2010, the City had incurred a liability of \$14,488,975, which represents the amount of costs estimated to date based on 69% of landfill capacity used to date. This amount includes a reduction of \$455,609 for closure related expenditures paid during fiscal year 2010. The remaining estimated liability for these costs is \$7,049,639, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of \$7,876,969 for these costs. The estimated cost of closure and post-closure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

F. Other Information

1) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. The City has established a workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the workers' compensation fund and operating expenditures (expenses) of the other funds. Claims payable include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2009. State law provides that the City is relieved of liability if a notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2010, the amount of workers' compensation liabilities was \$421,320. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the reported liability since October 1, 2008 resulted from the following:

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2008-2009	\$478,394	(\$ 74,524)	(\$129,882)	\$273,988
2009-2010	\$273,988	\$386,157	(\$238,825)	\$421,320

At September 30, 2010, workers' compensation fund cash and investments of \$719,832 were held for the purpose of funding future obligations. The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

- a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of \$.3826 per 1,000 gallons plus \$179,991 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid \$4,593,133 to the City of Dallas for the fiscal year ended September 30, 2010.
- b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid \$2,068,099 to the Authority for the fiscal year ended September 30, 2010.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2010, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

3) Postemployment Benefits Other Than Pensions

Plan Description - The City of Farmers Branch administers a single-employer defined benefit healthcare plan (the "Retiree Benefit Plan"). The plan provides postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through city policy as approved by City Council. The Retiree Benefit Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years which do not need to be concurrent*;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

* The ten-year eligibility is only for employees employed with the City as of December 31, 2006 that are not currently eligible for retirement or will be eligible for retirement by December 31, 2011.

Funding Policy - Contribution requirements are set by City policy as approved by City Council. The City contributes the cost of the "employee only" premium for the City's base plan, \$520 annually to a health savings account for those retirees selecting the high deductible health insurance plans, and the full premium for life insurance coverage of \$12,000. The eligible City retiree receives city paid coverage till age 65. In fiscal year 2010, the City contributed \$266,294 to the plan. Plan members receiving benefits contribute the additional cost above the

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

"employee only" base medical premium and the full group premium for dental or vision plans selected. In fiscal year 2010, total member contributions were \$202,471.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$	496,691
Interest on net OPEB obligation		11,104
Adjustment to the ARC		(10,064)
Annual OPEB cost	\$	497,731
Contributions made		266,294
Increase in net OPEB obligation	\$	231,437
Net OPEB obligation, beginning of year		247,792
Net OPEB obligation, end of year	\$	479,229

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 517,679	\$ 269,887	52%	\$ 247,792
2010	497,731	266,294	54%	479,229

Funded Status and Funding Progress - As of October 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,166,562, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$19,722,536, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.3%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008 actuarial valuation, the projected unit credit cost actuarial method was used. The actuarial assumptions included a 4.5 percent investment rate of return (discount rate) and an annual healthcare cost trend rate of 8 percent initially (2009), reduced by decrements of 1 percent per year till it reaches an ultimate trend rate of 5 percent in 2012. The unfunded actuarial liability is being amortized over 30 years using a level percentage of payroll with an assumption that payroll increases by 3 percent per year. The remaining amortization period at September 30, 2010, was twenty-eight years.

4) Employee Retirement System

Plan Description - The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 837 currently administered by TMRS, an agent multiple-employer public employee retirement system.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Funding Policy – The contribution rate for employees is 7% of employee gross earnings and the City matching ratio is 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined by the actuary annually, using the Projected Unit Credit actuarial cost method (effective with the December 31, 2009 valuation). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. Beginning in 2009, the City of Farmers Branch elected to contribute a minimum amount equal to its annual required contribution (ARC) plus an additional lump-sum contribution of \$63,249 for 2009 and \$83,599 for 2010 less a "phase in" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. This caused the City to have an actual contribution less than the actuarially determined ARC, and therefore to accrue a net pension obligation on its balance sheet. In subsequent years, this net pension obligation will be amortized using the same amortization factor used to determine the ARC for a given year. The phase in period will last eight years from fiscal year 2009 through fiscal year 2016. The portion of the amount being phased in and not yet recognized is 6/8th in year two.

The annual pension cost and net pension obligation are as follows:

Annual required contribution (ARC)	\$ 5,944,245
Interest on net pension obligation	69,932
Adjustment to the ARC	(56,935)
Annual pension cost (APC)	\$ 5,957,242
Contributions made	4,754,266
Increase in net pension obligation	\$ 1,202,976
Net pension obligation, beginning of year	932,428
Net pension obligation, end of year	\$ 2,135,404

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the actuarial value of plan assets was \$89,792,751, the actuarial accrued liability for benefits was \$134,608,501, the actuarial value of assets as a percentage of that actuarial accrued liability was 66.7% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$27,175,162, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 164.9%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Per	-	28 Years - Closed Period
Asset Valuation Method	-	10-year Smoothed Market
Investment Rate of Return	-	7.5%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

Actuarial Assumptions - The City of Farmers Branch is one of 837 municipalities having the benefit administered by TMRS. Each of these municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2009 valuations are contained in the 2009 TMRS Comprehensive Annual Financial Report that includes the financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.org. Significant actuarial assumptions for the City may be found in Exhibit E-1, Required Supplemental Information.

Trend Information: Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information, for which three years is required, is presented as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 4,114,688	\$ 4,114,688	100%	\$ 0
2009	5,289,836	4,357,408	82%	932,428
2010	5,957,242	4,754,266	80%	2,135,404

Supplemental three-year trend information may be found in Exhibit E-1.

5) New GASB Standards

In fiscal year 2010, the City implemented the following GASB statements:

Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*." This statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting of these types of assets. The statement requires that all intangible assets not specifically excluded by its scope and provisions be classified as capital assets. The October 1, 2009 beginning balance of the net assets for the governmental activities in the Statement of Activities (Exhibit A-2) was restated from \$105,412,022 to retroactively add the net value of intangible assets of \$39,780. The resulting restated balance is \$105,451,802. The statistical section has also been revised to include the addition of intangible assets retroactively.

Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*." This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. There was no current effect on the financial statements as a result of implementing this statement.

Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*." This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. There was no current effect on the financial statements as a result of implementing this statement.

REQUIRED SUPPLEMENTAL INFORMATION
 SEPTEMBER 30, 2010
 (UNAUDITED)

Texas Municipal Retirement System Analysis of Funding Progress
 Last Three Fiscal Years

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	12/31/2007	\$ 84,399,127	\$ 124,420,441	\$ 40,021,314	67.8%	\$ 25,255,387	158.5%
2009	12/31/2008	82,917,572	125,793,750	42,876,178	65.9%	26,427,295	162.2%
2010	12/31/2009	89,792,751	134,608,501	44,815,750	66.7%	27,175,162	164.9%

Actuarial Assumptions 2008

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Per	-	30 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7.0%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

Actuarial Assumptions 2009

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Per	-	29 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7.5%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

Actuarial Assumptions 2010

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Per	-	28 Years - Closed Period
Asset Valuation Method	-	10-year Smoothed Market
Investment Rate of Return	-	7.5%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

Retiree Benefit Plan
 Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2009	10/1/2008	\$ 0	\$ 5,902,137	\$ 5,902,137	0.0%	\$ 22,196,022	26.6%
2010	10/1/2008	\$ 0	\$ 6,166,562	\$ 6,166,562	0.0%	\$ 19,722,536	31.3%

*The annual covered payroll for the Retiree Benefit Plan includes only full time employees hired prior to January 1, 2007.

OTHER SUPPLEMENTAL INFORMATION

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COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Hotel/Motel - to account for receipt and allocation of the City's hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The City hotel occupancy tax rate for its twelve hotels is 7%.

Police Forfeitures - to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Donations - to account for voluntary contributions for community improvement.

Cemetery - to account for grounds maintenance of Keenan Cemetery.

Youth Scholarship - to account for voluntary contributions for youth scholarship.

Grants - to account for grant revenues and expenditures.

Municipal Court Fees - to account for the municipal court building security fee dedicated to courthouse security and the municipal court technology fee for the purchase of technological enhancements.

Stars Center - to account for Stars/Conference Center rental revenues and transfers to debt service for bond payments.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental long-term debt serviced by the Debt Service Fund consists of general obligation bonds and special revenue bonds.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The following is a description of the City's Capital Projects Funds:

Non-Bond Capital Projects Fund - is used to account for the acquisition and construction of major capital facilities.

DART Fund - to account for the construction and financing of transit related improvements funded by the Dallas Area Rapid Transit Local Assistance Program.

Hotel/Motel Fund - to account for the construction and financing of historical park improvements, funded by hotel/motel tax revenues.

Street Improvement/Animal Shelter Fund - is used for the construction of a new animal shelter and the reconstruction of several streets (Webb Chapel Road, Midway Road, and Benchmark).

Fire Station Bond Fund - is used to design, construct, equip and furnish fire fighting and Fire Station facilities, in order to accomplish the relocation of Fire Station No. 1 and the Emergency Operations Center, including the acquisition of land for this purpose.

TIF No. 2 District Fund - to account for infrastructure construction in the Old Farmers Branch tax increment financing district, funded from developer contributions and advances and property tax payments.

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COMBINING BALANCE SHEET - SUMMARY
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 3,267,235	\$ 577,004	\$ 7,628,823	\$ 11,473,062
Receivables, net	330,805	153,375	166,363	650,543
Accrued interest and other	8,018		15,109	23,127
Inventories	5,312			5,312
Advances to other funds			200,000	200,000
Total assets	<u>\$ 3,611,370</u>	<u>\$ 730,379</u>	<u>\$ 8,010,295</u>	<u>\$ 12,352,044</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 189,340	\$	\$ 165,865	\$ 355,205
Deposits payable	605,350		163,600	768,950
Arbitrage payable			4,457	4,457
Due to other funds	66,100			66,100
Deferred revenue	26,915	159,134	402,542	588,591
Advances from other funds			200,000	200,000
Retainage payable			80,052	80,052
Total liabilities	<u>887,705</u>	<u>159,134</u>	<u>1,016,516</u>	<u>2,063,355</u>
Fund balances:				
Nonspendable:				
Advances			200,000	200,000
Inventory	5,312			5,312
Restricted for:				
Construction of capital assets			4,922,853	4,922,853
Promotion of tourism	1,070,851			1,070,851
Purpose of grantors, trustees and donors	295,665			295,665
Debt service	508,793			508,793
Law enforcement	843,044			843,044
Assigned to:				
Construction of capital assets			1,916,482	1,916,482
Debt service		571,245		571,245
Unassigned			(45,556)	(45,556)
Total fund balances	<u>2,723,665</u>	<u>571,245</u>	<u>6,993,779</u>	<u>10,288,689</u>
Total liabilities and fund balances	<u>\$ 3,611,370</u>	<u>\$ 730,379</u>	<u>\$ 8,010,295</u>	<u>\$ 12,352,044</u>

CITY OF FARMERS BRANCH, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2010

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Youth Scholarship	Grants
ASSETS						
Cash, cash equivalents, and investments	\$ 949,388	\$ 225,178	\$ 151,080	\$ 131,320	\$ 24,665	\$ 59
Receivables, net	179,969	2,921	306			73,708
Accrued interest and other	3,436	541	342	317	54	
Inventories	5,312					
Total assets	<u>\$ 1,138,105</u>	<u>\$ 228,640</u>	<u>\$ 151,728</u>	<u>\$ 131,637</u>	<u>\$ 24,719</u>	<u>\$ 73,767</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 56,592	\$	\$ 12,162	\$ 257	\$	\$
Deposits payable	5,350					
Due to other funds						66,100
Deferred revenue		19,248				7,667
Total liabilities	<u>61,942</u>	<u>19,248</u>	<u>12,162</u>	<u>257</u>		<u>73,767</u>
Fund balances:						
Nonspendable:						
Inventory	5,312					
Restricted for:						
Promotion of tourism	1,070,851					
Purpose of grantors, trustees, and donors			139,566	131,380	24,719	
Debt service						
Law enforcement		209,392				
Total fund balances	<u>1,076,163</u>	<u>209,392</u>	<u>139,566</u>	<u>131,380</u>	<u>24,719</u>	
Total liabilities and fund balances	<u>\$ 1,138,105</u>	<u>\$ 228,640</u>	<u>\$ 151,728</u>	<u>\$ 131,637</u>	<u>\$ 24,719</u>	<u>\$ 73,767</u>

Exhibit F-1a

Nonmajor Special Revenue Funds		Total
Municipal	Stars	Nonmajor
Court	Center	Special Revenue
Fees		Funds
\$ 679,107	\$ 1,106,438	\$ 3,267,235
73,901		330,805
973	2,355	8,018
		5,312
<u>\$ 753,981</u>	<u>\$ 1,108,793</u>	<u>\$ 3,611,370</u>
\$ 120,329	\$	\$ 189,340
	600,000	605,350
		66,100
		26,915
<u>120,329</u>	<u>600,000</u>	<u>887,705</u>
		5,312
		1,070,851
		295,665
	508,793	508,793
633,652		843,044
<u>633,652</u>	<u>508,793</u>	<u>2,723,665</u>
<u>\$ 753,981</u>	<u>\$ 1,108,793</u>	<u>\$ 3,611,370</u>

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2010

	Nonmajor Capital Projects Funds						Total
			Hotel/	Street	Fire	TIF No. 2	Nonmajor
	Non-Bond	DART	Motel	Improvement/ Animal Shelter	Station Bond	District	Capital Projects Funds
ASSETS							
Cash, cash equivalents, and investments	\$ 1,997,029	\$ 1,030,937	\$ 7,543	\$ 57,036	\$ 4,374,691	\$ 161,587	\$ 7,628,823
Receivables, net	163,522					2,841	166,363
Accrued interest and other	5,305	1,969	49	718	7,055	13	15,109
Advances to other funds	200,000						200,000
Total assets	<u>\$ 2,365,856</u>	<u>\$ 1,032,906</u>	<u>\$ 7,592</u>	<u>\$ 57,754</u>	<u>\$ 4,381,746</u>	<u>\$ 164,441</u>	<u>\$ 8,010,295</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,353	\$ 121,761	\$	\$	\$ 40,845	\$ 906	\$ 165,865
Deposits payable	163,600						163,600
Arbitrage payable				4,457			4,457
Deferred revenue	83,421	316,280				2,841	402,542
Advances from other funds						200,000	200,000
Retainage payable		29,083		44,719		6,250	80,052
Total liabilities	<u>249,374</u>	<u>467,124</u>		<u>49,176</u>	<u>40,845</u>	<u>209,997</u>	<u>1,016,516</u>
Fund balances:							
Nonspendable:							
Advances	\$ 200,000	\$	\$	\$	\$	\$	\$ 200,000
Restricted for:							
Construction of capital assets		565,782	7,592	8,578	4,340,901		4,922,853
Assigned to:							
Construction of capital assets	1,916,482						1,916,482
Unassigned						(45,556)	(45,556)
Total fund balances	<u>2,116,482</u>	<u>565,782</u>	<u>7,592</u>	<u>8,578</u>	<u>4,340,901</u>	<u>(45,556)</u>	<u>6,993,779</u>
Total liabilities and fund balances	<u>\$ 2,365,856</u>	<u>\$ 1,032,906</u>	<u>\$ 7,592</u>	<u>\$ 57,754</u>	<u>\$ 4,381,746</u>	<u>\$ 164,441</u>	<u>\$ 8,010,295</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SUMMARY
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$	\$ 2,799,104	\$	\$ 2,799,104
Hotel/motel taxes	1,821,619			1,821,619
Tax increment financing			122,260	122,260
Special assessments			443,793	443,793
Fines and forfeitures	542,676			542,676
Investment income	724,109		57,432	781,541
Intergovernmental	445,872		1,076,163	1,522,035
Developer's contributions			90,919	90,919
Miscellaneous	122,878			122,878
Total revenues	3,657,154	2,799,104	1,790,567	8,246,825
EXPENDITURES				
Current:				
General government	144,380			144,380
Public safety	681,837			681,837
Public works	435			435
Culture and recreation	2,137,817			2,137,817
Debt service:				
Principal retirement		2,515,000		2,515,000
Interest and fiscal agent charges		962,417		962,417
Issuance costs		26,482	90,030	116,512
Capital outlay			3,905,201	3,905,201
Total expenditures	2,964,469	3,503,899	3,995,231	10,463,599
Excess (deficiency) of revenues over (under) expenditures	692,685	(704,795)	(2,204,664)	(2,216,774)
OTHER FINANCING SOURCES (USES)				
Transfers in		1,405,800	466,200	1,872,000
Transfers out	(1,896,200)		(939,400)	(2,835,600)
Refunding and improvement bonds issued		1,690,000	5,470,000	7,160,000
Premiums on debt issued		30,086	112,870	142,956
Payment to escrow agent		(2,073,612)		(2,073,612)
Sales of capital assets/insurance recoveries	26,542			26,542
Total other financing sources (uses)	(1,869,658)	1,052,274	5,109,670	4,292,286
Net change in fund balances	(1,176,973)	347,479	2,905,006	2,075,512
Fund balances--beginning	3,900,638	223,766	4,088,773	8,213,177
Fund balances--ending	\$ 2,723,665	\$ 571,245	\$ 6,993,779	\$ 10,288,689

CITY OF FARMERS BRANCH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Youth Scholarship	Grants
REVENUES						
Hotel/motel taxes	\$ 1,821,619	\$	\$	\$	\$	\$
Fines and forfeitures		18,525				
Investment income	45,357	1,713	1,083	1,001	169	
Intergovernmental						445,872
Miscellaneous	69,083		49,095	1,200	3,500	
Total revenues	1,936,059	20,238	50,178	2,201	3,669	445,872
EXPENDITURES						
General government			30,179			
Public safety		40,820	1,150			321,862
Public works			435			
Culture and recreation	1,968,455		25,853	16,801	2,698	124,010
Total expenditures	1,968,455	40,820	57,617	16,801	2,698	445,872
Excess (deficiency) of revenues over (under) expenditures	(32,396)	(20,582)	(7,439)	(14,600)	971	
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,290,000)					
Sales of capital assets/insurance recoveries	26,542					
Total other financing uses	(1,263,458)					
Net change in fund balances	(1,295,854)	(20,582)	(7,439)	(14,600)	971	
Fund balances--beginning	2,372,017	229,974	147,005	145,980	23,748	
Fund balances--ending	\$ 1,076,163	\$ 209,392	\$ 139,566	\$ 131,380	\$ 24,719	\$

Exhibit F-2a

Nonmajor Special Revenue Funds		Total
Municipal	Stars	Nonmajor
Court	Center	Special Revenue
Fees		Funds
\$	\$	\$
524,151		1,821,619
3,078	671,708	542,676
		724,109
		445,872
		122,878
527,229	671,708	3,657,154
114,201		144,380
318,005		681,837
		435
		2,137,817
432,206		2,964,469
95,023	671,708	692,685
	(606,200)	(1,896,200)
		26,542
	(606,200)	(1,869,658)
95,023	65,508	(1,176,973)
538,629	443,285	3,900,638
\$ 633,652	\$ 508,793	\$ 2,723,665

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Nonmajor Capital Projects Funds						Total
	Non-Bond	DART	Hotel/ Motel	Street Improvement/ Animal Shelter	Fire Station Bond	TIF No. 2 District	Nonmajor Capital Projects Funds
REVENUES							
Tax increment financing	\$	\$	\$	\$	\$	\$ 122,260	\$ 122,260
Special assessments	443,793						443,793
Investment income	16,778	6,226	155	11,921	22,313	39	57,432
Intergovernmental	270,950	805,213					1,076,163
Developer's contributions	90,919						90,919
Total revenues	822,440	811,439	155	11,921	22,313	122,299	1,790,567
EXPENDITURES							
Issuance costs					90,030		90,030
Capital outlay	674,967	804,081	31,657	1,035,068	1,174,252	185,176	3,905,201
Total expenditures	674,967	804,081	31,657	1,035,068	1,264,282	185,176	3,995,231
Excess (deficiency) of revenues over (under) expenditures	147,473	7,358	(31,502)	(1,023,147)	(1,241,969)	(62,877)	(2,204,664)
OTHER FINANCING SOURCES (USES)							
General obligation refunding and improvement bonds issued					5,470,000		5,470,000
Premiums on debt issued					112,870		112,870
Transfers in	466,200						466,200
Transfers out	(939,400)						(939,400)
Total other financing sources (uses)	(473,200)				5,582,870		5,109,670
Net change in fund balances	(325,727)	7,358	(31,502)	(1,023,147)	4,340,901	(62,877)	2,905,006
Fund balances--beginning	2,442,209	558,424	39,094	1,031,725		17,321	4,088,773
Fund balances--ending	\$ 2,116,482	\$ 565,782	\$ 7,592	\$ 8,578	\$ 4,340,901	\$ (45,556)	\$ 6,993,779

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

General Fund, Nonmajor Special Revenue Funds, and Debt Service Fund

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 18,300,000	\$ 18,540,000	\$ 18,461,087	\$	\$ 18,461,087	\$ (78,913)
Sales and use tax	12,786,000	11,426,000	10,890,296		10,890,296	(535,704)
Franchise taxes	5,056,000	4,368,000	4,217,372		4,217,372	(150,628)
Licenses and permits	626,000	563,100	559,979		559,979	(3,121)
Charges for services	4,089,200	5,011,700	4,803,469		4,803,469	(208,231)
Fines and forfeitures	2,229,000	2,485,900	2,509,385		2,509,385	23,485
Investment income	741,000	516,200	526,954		526,954	10,754
Miscellaneous	129,900	83,900	63,759		63,759	(20,141)
Total revenues	43,957,100	42,994,800	42,032,301		42,032,301	(962,499)
EXPENDITURES						
Current:						
General government:						
General government	2,062,500	2,290,100	2,190,263	(11,640)	2,178,623	111,477
General administration	1,715,000	1,738,400	1,713,333	6,936	1,720,269	18,131
Human resources	730,500	724,800	674,978	(150)	674,828	49,972
Finance	3,071,600	3,132,000	3,063,092	(13,420)	3,049,672	82,328
Community services	2,366,600	2,380,400	2,378,799	(21,826)	2,356,973	23,427
Public safety:						
Police	11,272,100	10,966,100	10,898,930	(110,244)	10,788,686	177,414
Fire	8,846,400	8,829,600	8,779,184	15,608	8,794,792	34,808
Public works:						
Public works	4,588,100	4,295,300	4,420,793	(222,370)	4,198,423	96,877
Engineering	2,076,500	2,022,700	1,962,900	38,867	2,001,767	20,933
Culture and recreation:						
Parks and recreation	8,511,600	8,373,100	8,197,516	(36,885)	8,160,631	212,469
Library	1,852,500	1,854,100	1,825,023	(4,383)	1,820,640	33,460
Total expenditures	47,093,400	46,606,600	46,104,811	(359,507)	45,745,304	861,296
Deficiency of revenues under expenditures	(3,136,300)	(3,611,800)	(4,072,510)	359,507	(3,713,003)	(101,203)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,177,600	4,194,600	4,172,968		4,172,968	(21,632)
Transfers out	(12,500)	(362,800)	(362,800)		(362,800)	
Sale of capital assets/insurance recoveries	171,500	171,500	61,517		61,517	(109,983)
Total other financing sources	3,336,600	4,003,300	3,871,685		3,871,685	(131,615)
Net change in fund balance	200,300	391,500	(200,825)	359,507	158,682	(232,818)
Fund balances--beginning	8,289,308	8,289,308	8,829,049	(539,741)	8,289,308	
Fund balances--ending	\$ 8,489,608	\$ 8,680,808	\$ 8,628,224	\$ (180,234)	\$ 8,447,990	\$ (232,818)

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Hotel/Motel			Police Forfeitures		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$ 1,812,000	\$ 1,821,619	\$ 9,619	\$	\$	\$
Fines, forfeitures, and assessments				18,525	18,525	
Investment income	50,000	45,357	(4,643)	2,091	1,713	(378)
Intergovernmental						
Donations and miscellaneous	99,100	69,083	(30,017)			
Total revenues	1,961,100	1,936,059	(25,041)	20,616	20,238	(378)
EXPENDITURES						
General government						
Public safety				107,400	40,820	66,580
Public works						
Culture and recreation	2,083,300	1,924,789	158,511			
Total expenditures	2,083,300	1,924,789	158,511	107,400	40,820	66,580
Excess (deficiency) of revenues over (under) expenditures	(122,200)	11,270	133,470	(86,784)	(20,582)	66,202
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,290,000)	(1,290,000)				
Sales of capital assets/insurance recoveries	25,000	26,542	1,542			
Total other financing uses	(1,265,000)	(1,263,458)	1,542			
Net change in fund balances	(1,387,200)	(1,252,188)	135,012	(86,784)	(20,582)	66,202
Fund balances--beginning	1,959,496	1,959,496		229,974	229,974	
Fund balances--ending	\$ 572,296	\$ 707,308	\$ 135,012	\$ 143,190	\$ 209,392	\$ 66,202

Donations			Cemetery			Youth Scholarships		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,083	1,083	1,400	1,001	(399)		169	169
34,892	49,095	14,203		1,200	1,200	3,500	3,500	
34,892	50,178	15,286	1,400	2,201	801	3,500	3,669	169
24,200	31,031	(6,831)						
10,000	1,150	8,850						
435	435							
47,020	28,696	18,324	17,200	16,801	399	5,900	2,698	3,202
81,655	61,312	20,343	17,200	16,801	399	5,900	2,698	3,202
(46,763)	(11,134)	35,629	(15,800)	(14,600)	1,200	(2,400)	971	3,371
(46,763)	(11,134)	35,629	(15,800)	(14,600)	1,200	(2,400)	971	3,371
146,686	146,686		145,980	145,980		23,748	23,748	
\$ 99,923	\$ 135,552	\$ 35,629	\$ 130,180	\$ 131,380	\$ 1,200	\$ 21,348	\$ 24,719	\$ 3,371

(continued)

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Grants			Municipal Court Fees		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$	\$	\$	\$	\$	\$
Fines, forfeitures, and assessments				463,200	524,151	60,951
Investment income					3,078	3,078
Intergovernmental	566,561	445,872	(120,689)			
Donations and miscellaneous						
Total revenues	566,561	445,872	(120,689)	463,200	527,229	64,029
EXPENDITURES						
General government				128,300	110,450	17,850
Public safety	414,055	321,862	92,193	346,200	318,005	28,195
Public works						
Culture and recreation	152,506	124,010	28,496			
Total expenditures	566,561	445,872	120,689	474,500	428,455	46,045
Excess (deficiency) of revenues over (under) expenditures				(11,300)	98,774	110,074
OTHER FINANCING SOURCES (USES)						
Transfers out						
Sales of capital assets/insurance recoveries						
Total other financing uses						
Net change in fund balances				(11,300)	98,774	110,074
Fund balances--beginning				534,878	534,878	
Fund balances--ending	\$	\$	\$	\$ 523,578	\$ 633,652	\$ 110,074

Stars Center			Totals		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$ 1,812,000	\$ 1,821,619	\$ 9,619
			481,725	542,676	60,951
670,000	671,708	1,708	723,491	724,109	618
			566,561	445,872	(120,689)
			137,492	122,878	(14,614)
670,000	671,708	1,708	3,721,269	3,657,154	(64,115)
			152,500	141,481	11,019
			877,655	681,837	195,818
			435	435	
			2,305,926	2,096,994	208,932
			3,336,516	2,920,747	415,769
670,000	671,708	1,708	384,753	736,407	351,654
(606,200)	(606,200)		(1,896,200)	(1,896,200)	
			25,000	26,542	1,542
(606,200)	(606,200)		(1,871,200)	(1,869,658)	1,542
63,800	65,508	1,708	(1,486,447)	(1,133,251)	353,196
443,285	443,285		3,484,047	3,484,047	
\$ 507,085	\$ 508,793	\$ 1,708	\$ 1,997,600	\$ 2,350,796	\$ 353,196

(concluded)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Revised Budget	Actual Budget Basis	Variance
REVENUES			
Property taxes	\$ 2,908,852	\$ 2,799,104	\$ (109,748)
EXPENDITURES			
Principal retirement	2,515,000	2,515,000	
Interest and fiscal agent charges	1,016,752	962,417	54,335
Issuance costs	26,500	26,482	18
Total expenditures	3,558,252	3,503,899	54,353
Deficiency of revenues under expenditures	(649,400)	(704,795)	(55,395)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,405,800	1,405,800	
Refunding bonds issued	1,690,000	1,690,000	
Premium on refunding bonds issued	30,100	30,086	(14)
Payment to refund bond escrow agent	(2,073,700)	(2,073,612)	88
Total other financing sources	1,052,200	1,052,274	74
Net change in fund balances	402,800	347,479	(55,321)
Fund balances--beginning	223,766	223,766	
Fund balances--ending	\$ 626,566	\$ 571,245	\$ (55,321)

COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Equipment Services Fund - to account for materials and supplies provided exclusively to other funds and departments of the City.

Workers' Compensation Fund - to account for the City's workers' compensation self-insurance program.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2010

	Equipment Services	Workers' Compensation	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 147,678	\$ 719,832	\$ 867,510
Inventories	65,990		65,990
Prepaid items	3,941		3,941
Deposits		20,000	20,000
Total current assets	<u>217,609</u>	<u>739,832</u>	<u>957,441</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	8,170		8,170
Depreciable, net of accumulated depreciation	247,506		247,506
Total noncurrent assets	<u>255,676</u>		<u>255,676</u>
Total assets	<u>473,285</u>	<u>739,832</u>	<u>1,213,117</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	139,416	43,396	182,812
Claims payable		168,528	168,528
Compensated absences	27,356		27,356
Total current liabilities	<u>166,772</u>	<u>211,924</u>	<u>378,696</u>
Noncurrent liabilities:			
Claims payable		252,792	252,792
Compensated absences	39,166		39,166
OPEB liability	6,193		6,193
Total noncurrent liabilities	<u>45,359</u>	<u>252,792</u>	<u>298,151</u>
Total liabilities	<u>212,131</u>	<u>464,716</u>	<u>676,847</u>
NET ASSETS			
Invested in capital assets, net of related debt	255,676		255,676
Unrestricted	5,478	275,116	280,594
Total net assets	<u>\$ 261,154</u>	<u>\$ 275,116</u>	<u>\$ 536,270</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Equipment Services	Workers' Compensation	Total
Operating revenues			
Charges for services	\$ 2,169,004	\$	\$ 2,169,004
Contributions and miscellaneous		7,229	7,229
Total operating revenues	2,169,004	7,229	2,176,233
Operating expenses			
Personal services	601,827		601,827
Materials and supplies	1,321,705		1,321,705
Maintenance and utilities	231,678		231,678
Insurance claims and expenses		450,617	450,617
Depreciation	58,058		58,058
Total operating expenses	2,213,268	450,617	2,663,885
Operating loss	(44,264)	(443,388)	(487,652)
Net assets--beginning	305,418	718,504	1,023,922
Net assets--ending	\$ 261,154	\$ 275,116	\$ 536,270

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Equipment Services	Workers' Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 2,171,583	\$ 21,479	\$ 2,193,062
Payments to suppliers	(1,555,245)		(1,555,245)
Payments to employees	(590,873)		(590,873)
Payments for loss claims		(282,158)	(282,158)
Net cash provided (used) by operating activities	25,465	(260,679)	(235,214)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(8,316)		(8,316)
Net cash used by capital and related financing activities	(8,316)		(8,316)
Net increase (decrease) in cash and cash equivalents	17,149	(260,679)	(243,530)
Cash and cash equivalents - beginning of year	130,529	980,511	1,111,040
Cash and cash equivalents - end of year	\$ 147,678	\$ 719,832	\$ 867,510
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (44,264)	\$ (443,388)	\$ (487,652)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	58,058		58,058
Changes in assets and liabilities:			
Decrease in receivables	2,579	2,250	4,829
Increase in inventories	(2,357)		(2,357)
Decrease in deposits		12,000	12,000
Decrease in prepaid expense	1,106		1,106
Increase in accrued liabilities	447	21,127	21,574
Increase in claims payable		147,332	147,332
Increase in OPEB liability	3,086		3,086
Increase in accrued compensated absences	6,810		6,810
Net cash provided (used) by operating activities	\$ 25,465	\$ (260,679)	\$ (235,214)

*STATISTICAL
SECTION*

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STATISTICAL SECTION (Unaudited)

The City of Farmers Branch's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

		Page
Financial Trends	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	68 – 75
Revenue Capacity	These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	76 – 83
Debt Capacity	These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	84 - 85
Demographic & Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	86 - 87
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	88 - 93

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FARMERS BRANCH, TEXAS

NET ASSETS BY COMPONENT
 LAST NINE FISCAL YEARS
 (accrual basis of accounting)
 (UNAUDITED)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 78,751,081	\$ 87,122,311	\$ 90,059,354	\$ 93,781,812	\$ 98,657,412
Restricted	5,751,791	4,976,354	3,260,438	5,442,628	2,237,530
Unrestricted	30,275,062	22,339,613	20,318,481	16,924,700	17,915,931
Total governmental activities net assets	<u>\$ 114,777,934</u>	<u>\$ 114,438,278</u>	<u>\$ 113,638,273</u>	<u>\$ 116,149,140</u>	<u>\$ 118,810,873</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 40,498,414	\$ 42,643,924	\$ 42,594,070	\$ 42,492,826	\$ 44,402,198
Restricted	7,189,902	6,218,858	5,612,230	5,273,778	4,926,756
Unrestricted	11,597,277	9,311,455	8,337,951	8,689,125	12,289,442
Total business-type activities net assets	<u>\$ 59,285,593</u>	<u>\$ 58,174,237</u>	<u>\$ 56,544,251</u>	<u>\$ 56,455,729</u>	<u>\$ 61,618,396</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 119,249,495	\$ 129,766,235	\$ 132,653,424	\$ 136,274,638	\$ 143,059,610
Restricted	12,941,693	11,195,212	8,872,668	10,716,406	7,164,286
Unrestricted	41,872,339	31,651,068	28,656,432	25,613,825	30,205,373
Total primary government net assets	<u>\$ 174,063,527</u>	<u>\$ 172,612,515</u>	<u>\$ 170,182,524</u>	<u>\$ 172,604,869</u>	<u>\$ 180,429,269</u>

Notes:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.
- (2) The fiscal year 2002 through 2009 governmental activities invested in capital assets, net of related debt and unrestricted net assets have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

TABLE 1

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 99,715,472	\$ 103,125,530	\$ 101,952,256	\$ 104,287,452
4,189,986	4,597,310	6,694,969	3,440,800
15,941,239	8,317,303	(3,195,423)	(11,074,138)
<u>\$ 119,846,697</u>	<u>\$ 116,040,143</u>	<u>\$ 105,451,802</u>	<u>\$ 96,654,114</u>
\$ 43,151,947	\$ 44,301,036	\$ 43,477,996	\$ 42,116,214
17,158,640	17,149,733	16,882,766	15,985,128
<u>\$ 60,310,587</u>	<u>\$ 61,450,769</u>	<u>\$ 60,360,762</u>	<u>\$ 58,101,342</u>
\$ 142,867,419	\$ 147,426,566	\$ 145,430,252	\$ 146,403,666
4,189,986	4,597,310	6,694,969	3,440,800
33,099,879	25,467,036	13,687,343	4,910,990
<u>\$ 180,157,284</u>	<u>\$ 177,490,912</u>	<u>\$ 165,812,564</u>	<u>\$ 154,755,456</u>

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS

(accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
General government	\$ 7,700,900	\$ 7,481,295	\$ 7,861,552	\$ 7,797,289	\$ 8,489,684
Public safety	14,407,670	14,624,275	14,854,374	15,536,770	15,934,442
Public works	10,573,887	11,779,719	11,152,223	10,497,625	11,940,111
Culture and recreation	9,783,696	9,764,220	13,689,052	11,041,720	11,292,821
Interest on long-term debt	1,355,307	1,093,578	978,999	1,240,816	1,353,926
Unallocated depreciation	128,974	138,735	141,602	144,510	166,626
Total governmental activities expenses	<u>43,950,434</u>	<u>44,881,822</u>	<u>48,677,802</u>	<u>46,258,730</u>	<u>49,177,610</u>
Business-type activities:					
Water and sewer	10,562,202	10,666,145	10,710,107	10,269,021	10,646,221
Public improvement district	379,657	234,163	215,513	222,959	216,572
Total business-type activities expenses	<u>10,941,859</u>	<u>10,900,308</u>	<u>10,925,620</u>	<u>10,491,980</u>	<u>10,862,793</u>
Total primary government expenses	<u>\$ 54,892,293</u>	<u>\$ 55,782,130</u>	<u>\$ 59,603,422</u>	<u>\$ 56,750,710</u>	<u>\$ 60,040,403</u>
Program Revenues					
Governmental activities:					
Charges for services					
Public safety	\$ 3,421,521	\$ 3,503,599	\$ 3,978,897	\$ 3,967,328	\$ 3,906,555
Public works	3,366,695	3,446,822	3,260,049	3,550,264	3,536,009
Other	1,133,799	1,066,920	1,616,740	1,599,155	1,789,155
Operating grants and contributions	106,082	181,750	122,933	64,746	140,829
Capital grants and contributions	1,449,950	671,174	2,626,760	1,566,453	1,888,355
Total governmental activities program revenues	<u>9,478,047</u>	<u>8,870,265</u>	<u>11,605,379</u>	<u>10,747,946</u>	<u>11,260,903</u>
Business-type activities:					
Charges for services	11,005,950	10,816,097	10,888,765	12,018,005	15,360,543
Capital grants and contributions	708,700	680,244	317,971	185,349	109,804
Total business-type activities program revenues	<u>11,714,650</u>	<u>11,496,341</u>	<u>11,206,736</u>	<u>12,203,354</u>	<u>15,470,347</u>
Total primary government program revenues	<u>\$ 21,192,697</u>	<u>\$ 20,366,606</u>	<u>\$ 22,812,115</u>	<u>\$ 22,951,300</u>	<u>\$ 26,731,250</u>
Net (Expense)/Revenue					
Governmental activities	\$ (34,472,387)	\$ (36,011,557)	\$ (37,072,423)	\$ (35,510,784)	\$ (37,916,707)
Business-type activities	772,791	596,033	281,116	1,711,374	4,607,554
Total primary government net expense	<u>\$ (33,699,596)</u>	<u>\$ (35,415,524)</u>	<u>\$ (36,791,307)</u>	<u>\$ (33,799,410)</u>	<u>\$ (33,309,153)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	\$ 13,105,275	\$ 13,084,066	\$ 12,644,154	\$ 12,866,630	\$ 13,315,728
Property taxes, levied for debt service	3,533,933	3,302,678	3,348,361	3,496,761	3,223,213
Sales and use taxes	11,556,669	10,048,764	10,277,538	10,789,405	11,240,717
Other taxes	7,789,704	7,317,863	7,215,972	7,121,051	9,545,758
Investment income	1,966,845	1,085,223	757,793	1,720,704	3,225,628
Gain on sale/retirement of capital assets	598,576	(1,138,493)			45,001
Transfers	1,975,600	1,971,800	2,028,600	2,027,100	(17,605)
Total governmental activities	<u>40,526,602</u>	<u>35,671,901</u>	<u>36,272,418</u>	<u>38,021,651</u>	<u>40,578,440</u>
Business-type activities:					
Investment income	502,281	264,411	117,498	227,204	537,508
Gain on sale/retirement of capital assets					
Transfers	(1,975,600)	(1,971,800)	(2,028,600)	(2,027,100)	17,605
Total business-type activities	<u>(1,473,319)</u>	<u>(1,707,389)</u>	<u>(1,911,102)</u>	<u>(1,799,896)</u>	<u>555,113</u>
Total primary government	<u>\$ 39,053,283</u>	<u>\$ 33,964,512</u>	<u>\$ 34,361,316</u>	<u>\$ 36,221,755</u>	<u>\$ 41,133,553</u>
Change in Net Assets					
Governmental activities	\$ 6,054,215	\$ (339,656)	\$ (800,005)	\$ 2,510,867	\$ 2,661,733
Business-type activities	(700,528)	(1,111,356)	(1,629,986)	(88,522)	5,162,667
Total primary government	<u>\$ 5,353,687</u>	<u>\$ (1,451,012)</u>	<u>\$ (2,429,991)</u>	<u>\$ 2,422,345</u>	<u>\$ 7,824,400</u>

Notes:

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

(2) The fiscal year 2002 through 2009 governmental activities invested in capital assets, net of related debt and unrestricted net assets have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

TABLE 2

Fiscal Year			
2007	2008	2009	2010
\$ 12,193,622	\$ 12,551,044	\$ 11,451,397	\$ 16,076,156
18,387,710	20,503,576	21,375,045	22,032,570
10,370,758	11,198,781	16,056,692	9,739,019
11,553,232	12,329,063	12,838,761	13,335,886
1,386,599	1,696,424	1,662,921	1,925,378
137,656	132,412	32,530	129,904
54,029,577	58,411,300	63,417,346	63,238,913
11,337,031	11,653,500	12,202,196	12,889,881
11,337,031	11,653,500	12,202,196	12,889,881
\$ 65,366,608	\$ 70,064,800	\$ 75,619,542	\$ 76,128,794
\$ 4,035,373	\$ 3,974,945	\$ 3,840,336	\$ 4,264,166
3,420,085	2,914,097	2,202,169	2,753,067
1,883,712	1,896,556	1,493,047	1,519,291
182,355	309,283	134,927	245,328
1,044,978	1,552,729	292,271	1,460,179
10,566,503	10,647,610	7,962,750	10,242,031
12,116,611	13,541,391	14,188,751	13,368,650
98,906			
12,215,517	13,541,391	14,188,751	13,368,650
\$ 22,782,020	\$ 24,189,001	\$ 22,151,501	\$ 23,610,681
\$ (43,463,074)	\$ (47,763,690)	\$ (55,454,596)	\$ (52,996,882)
878,486	1,887,891	1,986,555	478,769
\$ (42,584,588)	\$ (45,875,799)	\$ (53,468,041)	\$ (52,518,113)
\$ 14,413,089	\$ 16,646,283	\$ 17,087,985	\$ 18,311,639
3,247,023	2,139,338	2,147,917	2,731,178
12,367,492	12,458,643	11,912,047	10,890,296
7,873,881	8,281,023	8,332,827	7,649,667
3,487,671	3,010,414	1,998,392	1,777,261
212,352	222,568	36,787	20,953
2,897,390	1,198,867	3,350,300	2,818,200
44,498,898	43,957,136	44,866,255	44,199,194
760,195	428,409	248,022	62,486
(49,100)	22,749	25,716	17,525
(2,897,390)	(1,198,867)	(3,350,300)	(2,818,200)
(2,186,295)	(747,709)	(3,076,562)	(2,738,189)
\$ 42,312,603	\$ 43,209,427	\$ 41,789,693	\$ 41,461,005
\$ 1,035,824	\$ (3,806,554)	\$ (10,588,341)	\$ (8,797,688)
(1,307,809)	1,140,182	(1,090,007)	(2,259,420)
\$ (271,985)	\$ (2,666,372)	\$ (11,678,348)	\$ (11,057,108)

CITY OF FARMERS BRANCH, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Nondisposable	\$ 234,475	\$ 8,037	\$ 13,999	\$ 16,363	\$ 20,911
Committed	805,112	587,102	381,602	188,381	
Assigned	3,708,301	3,006,112	2,640,563	1,816,932	1,576,072
Unassigned	11,832,685	10,341,067	10,565,115	11,106,626	13,536,718
Total general fund	<u>\$ 16,580,573</u>	<u>\$ 13,942,318</u>	<u>\$ 13,601,279</u>	<u>\$ 13,128,302</u>	<u>\$ 15,133,701</u>
All Other Governmental Funds					
Nondisposable	\$ 203,911	\$ 204,027	\$ 204,129	\$ 203,816	\$ 204,301
Restricted	11,477,964	12,184,866	10,238,245	12,973,187	12,838,474
Assigned	21,656,674	15,687,461	15,685,136	12,914,110	9,556,225
Unassigned	(5,006)	(3,422)			(31,364)
Total all other governmental funds	<u>\$ 33,333,543</u>	<u>\$ 28,072,932</u>	<u>\$ 26,127,510</u>	<u>\$ 26,091,113</u>	<u>\$ 22,567,636</u>

Notes:

- (1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.
- (2) Fiscal years 2002 through 2008 have been reclassified with implementation of GASB Statement 54 in fiscal year 2009.

TABLE 3

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 30,163	\$ 20,853	\$ 17,375	\$ 7,567
784,232	65,100	40,277	
2,497,634	2,321,595	1,100,824	394,086
8,632,983	6,633,937	7,670,573	8,226,571
<u>\$ 11,945,012</u>	<u>\$ 9,041,485</u>	<u>\$ 8,829,049</u>	<u>\$ 8,628,224</u>
\$ 204,107	\$ 204,406	\$ 333,931	\$ 205,312
15,707,905	22,688,373	15,791,814	20,574,201
10,572,323	6,370,872	2,336,975	2,487,727
(35,459)			(130,728)
<u>\$ 26,448,876</u>	<u>\$ 29,263,651</u>	<u>\$ 18,462,720</u>	<u>\$ 23,136,512</u>

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	2002	2003	2004	2005	2006
REVENUES					
Property taxes	\$ 16,799,942	\$ 16,176,029	\$ 15,948,557	\$ 16,283,045	\$ 16,654,207
Sales and use taxes	11,556,669	10,048,764	10,277,538	10,789,405	11,240,717
Hotel/motel taxes	2,026,831	1,797,279	1,786,530	1,965,693	2,249,499
Franchise taxes	5,008,153	4,622,907	4,577,748	4,401,914	5,846,634
Tax increment financing	769,566	809,087	1,315,748	739,795	727,185
Licenses and permits	651,010	535,374	679,716	702,623	901,032
Charges for services	4,535,621	4,689,125	5,003,761	5,474,608	5,521,947
Fines and forfeitures	2,538,801	2,653,967	2,941,491	2,816,349	2,651,545
Special assessments					
Investment income	1,966,845	1,085,223	757,793	1,693,480	2,799,628
Intergovernmental	1,481,043	750,456	2,687,914	1,395,173	1,866,433
Miscellaneous	190,948	180,213	355,717	355,518	297,542
Total revenues	47,525,429	43,348,424	46,332,513	46,617,603	50,756,369
EXPENDITURES					
General government	7,684,132	7,450,269	7,748,593	7,604,968	8,441,567
Public safety	14,073,774	14,412,305	15,989,098	16,344,952	16,216,083
Public works	7,064,397	7,154,373	6,583,462	6,685,000	6,750,691
Culture and recreation	9,330,129	9,488,766	9,475,882	10,143,731	10,606,767
Debt service:					
Principal retirement	2,865,000	3,311,709	3,155,000	3,220,000	3,320,000
Interest and fiscal agent charges	1,209,213	928,393	613,301	961,455	863,056
Issuance costs		189,949	234,310		
Loss due to decline in market value					
Capital outlay	10,207,546	10,546,677	16,248,988	8,197,375	9,957,833
Total expenditures	52,434,191	53,482,441	60,048,634	53,157,481	56,155,997
Deficiency of revenues under expenditures	(4,908,762)	(10,134,017)	(13,716,121)	(6,539,878)	(5,399,628)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,654,452	5,848,900	4,245,511	4,231,842	4,895,008
Transfers out	(4,678,852)	(3,877,100)	(2,216,911)	(2,204,742)	(2,669,708)
Proceeds from developer advances	3,412,307	16,900	253,390	3,849,257	1,398,727
Certificates of obligation issued		13,748,662	8,865,000		
General obligation refunding and improve- ment bonds issued					
Premiums on debt issued					
Payment to refunded bond escrow agent		(13,535,212)			
Discount on refunded bonds		(13,545)	(15,262)		
Sale of capital assets/insurance recoveries	856,229	46,546	297,932	154,147	257,523
Total other financing sources	6,244,136	2,235,151	11,429,660	6,030,504	3,881,550
Net change in fund balances	1,335,374	(7,898,866)	(2,286,461)	(509,374)	(1,518,078)
Debt service as a percentage of noncapital expenditures	9.68%	9.86%	8.42%	9.59%	9.16%

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 4

Fiscal Year			
2007	2008	2009	2010
\$ 17,521,813	\$ 18,749,053	\$ 19,256,366	\$ 21,260,191
12,367,492	12,458,643	11,912,047	10,890,296
2,487,792	2,507,434	1,974,308	1,821,619
4,649,499	4,550,441	4,338,892	4,217,372
483,258	1,511,538	2,097,654	931,118
847,741	769,575	485,241	559,979
5,575,733	5,042,920	4,360,812	4,803,469
2,788,819	2,735,027	2,576,170	3,052,061
	107,543	587,540	443,793
3,134,483	2,969,571	1,979,892	1,402,261
1,128,092	502,891	321,647	1,522,035
216,380	462,585	133,998	277,556
51,201,102	52,367,221	50,024,567	51,181,750
9,908,182	12,199,482	9,937,817	10,171,825
17,049,311	19,651,803	20,486,227	20,359,951
7,181,345	7,711,943	7,001,379	7,041,562
10,762,858	11,421,188	11,614,329	12,160,356
3,565,000	2,410,000	3,577,937	4,315,000
747,375	827,386	789,523	962,417
6,000	48,923		249,042
			4,827,791
8,260,060	9,031,200	11,078,507	4,756,442
57,480,131	63,301,925	64,485,719	64,844,386
(6,279,029)	(10,934,704)	(14,461,152)	(13,662,636)
10,676,789	4,147,842	6,408,490	6,044,968
(6,040,076)	(1,507,642)	(3,058,190)	(3,226,768)
2,937,952			
	7,750,000		10,000,000
			7,160,000
			142,956
(917,004)			(2,073,612)
313,919	455,752	97,485	88,059
6,971,580	10,845,952	3,447,785	18,135,603
692,551	(88,752)	(11,013,367)	4,472,967
8.40%	6.07%	7.38%	9.29%

CITY OF FARMERS BRANCH, TEXAS

ESTIMATED ACTUAL AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	RESIDENTIAL PROPERTY			COMMERCIAL PROPERTY		
	ESTIMATED	LESS:	ASSESSED VALUE	ESTIMATED	LESS:	ASSESSED VALUE
	ACTUAL	TAX		ACTUAL	TAX	
	VALUE	EXEMPTIONS		VALUE	EXEMPTIONS	
2001	\$ 852,916,320	\$ 270,695,268	\$ 582,221,052	\$ 2,170,333,000	\$ 397,470,026	\$ 1,772,862,974
2002	915,596,290	286,941,475	628,654,815	2,305,524,720	435,616,814	1,869,907,906
2003	1,022,865,830	327,966,324	694,899,506	2,295,268,480	531,261,544	1,764,006,936
2004	1,072,890,000	330,068,183	742,821,817	2,102,559,690	506,450,763	1,596,108,927
2005	1,099,799,270	324,929,103	774,870,167	1,830,594,430	372,949,338	1,457,645,092
2006	1,145,354,860	330,535,831	814,819,029	2,050,631,160	512,078,808	1,538,552,352
2007	1,154,512,990	328,858,113	825,654,877	2,230,116,920	461,723,606	1,768,393,314
2008	1,192,986,700	336,268,242	856,718,458	2,594,828,250	591,244,468	2,003,583,782
2009	1,230,445,290	336,926,429	893,518,861	2,649,217,110	543,942,277	2,105,274,833
2010	1,231,622,730	340,746,718	890,876,012	1,536,661,570	407,846,378	1,128,815,192

Source: Dallas Central Appraisal District

Note: Property in the city is reassessed at least every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value less exemptions. Tax rates are per \$100 of assessed value.

TABLE 5

BUSINESS-PERSONAL PROPERTY			TOTAL			TOTAL DIRECT TAX RATE
ESTIMATED	LESS:	ASSESSED VALUE	ESTIMATED	LESS:	ASSESSED VALUE	
ACTUAL	TAX		ACTUAL	TAX		
VALUE	EXEMPTIONS		VALUE	EXEMPTIONS		
\$ 1,336,074,950	\$ 2,707,827	\$ 1,333,367,123	\$ 4,359,324,270	\$ 670,873,121	\$ 3,688,451,149	\$ 0.4400
1,414,502,690	1,964,435	1,412,538,255	4,635,623,700	724,522,724	3,911,100,976	0.4400
1,328,059,140	1,676,856	1,326,382,284	4,646,193,450	860,904,724	3,785,288,726	0.4400
1,221,611,230	2,329,581	1,219,281,649	4,397,060,920	838,848,527	3,558,212,393	0.4600
1,098,180,490	77,069,672	1,021,110,818	4,028,574,190	774,948,113	3,253,626,077	0.4945
1,061,094,740	116,725,093	944,369,647	4,257,080,760	959,339,732	3,297,741,028	0.4945
1,009,905,870	98,298,591	911,607,279	4,394,535,780	888,880,310	3,505,655,470	0.4945
1,096,945,970	137,850,233	959,095,737	4,884,760,920	1,065,362,943	3,819,397,977	0.4945
1,213,451,110	192,437,313	1,021,013,797	5,093,113,510	1,073,306,019	4,019,807,491	0.4945
2,601,976,410	493,392,278	2,108,584,132	5,370,260,710	1,241,985,374	4,128,275,336	0.5195

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	CITY DIRECT RATES			OVERLAPPING RATES (1)				
	GENERAL			CARROLLTON - FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY	DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE
	BASIC RATE	OBLIGATION DEBT SERVICE	TOTAL DIRECT (2)					
2001	\$ 0.3414	\$ 0.0986	\$ 0.4400	\$ 1.6737	\$ 1.5475	\$ 0.2017	\$ 0.2540	\$ 0.0500
2002	0.3486	0.0914	0.4400	1.7242	1.5475	0.2015	0.2540	0.0600
2003	0.3511	0.0889	0.4400	1.7224	1.5875	0.2015	0.2540	0.0600
2004	0.3670	0.0930	0.4600	1.7358	1.6395	0.2094	0.2540	0.0778
2005	0.3965	0.0980	0.4945	1.7824	1.6694	0.2094	0.2540	0.0803
2006	0.3985	0.0960	0.4945	1.8259	1.6884	0.2192	0.2540	0.0816
2007	0.4041	0.0904	0.4945	1.6830	1.5026	0.2189	0.2540	0.0810
2008	0.4386	0.0559	0.4945	1.3670	1.1996	0.2328	0.2540	0.0804
2009	0.4423	0.0522	0.4945	1.3623	1.1834	0.2330	0.2540	0.0894
2010	0.4516	0.0679	0.5195	1.3422	1.2713	0.2333	0.2740	0.0949

Source: Dallas Central Appraisal District

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the City of Farmers Branch. Not all overlapping rates apply to all city property owners; for example, although the county property tax rates apply to all city property owners, the Dallas Independent School District (ISD) rates apply only to the approximately 23.3% of city property owners whose property is located within that district's geographic boundaries.
- (2) The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limits of State law, after which the city's residents may petition for a vote. Rates for debt service are set based on each year's requirements.
- (3) Does not include Dallas ISD as school districts do not overlap each other.

TABLE 6

TOTAL (3)	
\$	2.6194
	2.6797
	2.6779
	2.7370
	2.8206
	2.8752
	2.7314
	2.4287
	2.4332
	2.4639

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX LEVIES
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	FARMERS BRANCH	CARROLLTON- FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY
2001	\$ 16,229,185	\$ 207,702,320	\$ 814,504,457	\$ 229,881,236
2002	17,208,844	228,677,587	879,160,759	249,177,867
2003	16,655,270	234,702,492	925,488,279	258,759,275
2004	16,367,777	224,290,076	947,346,797	267,269,899
2005	16,089,181	221,371,359	983,293,871	271,367,179
2006	16,307,329	230,386,930	1,044,465,976	296,814,473
2007	17,335,466	222,194,231	1,031,420,904	320,339,291
2008	18,886,923	200,337,274	920,814,173	375,408,115
2009	19,877,948	207,688,213	972,477,527	397,456,902
2010	21,446,390	200,119,142	1,012,347,453	385,705,977

Source: The Dallas Central Appraisal District provided information for fiscal years 2001 through 2008. Beginning in 2009, the Carrollton-Farmers Branch I.S.D. began reporting their own values since the district spans multiple counties and appraisal districts began reporting only their portion of an entity's value if the entity overlaps jurisdictions.

TABLE 7

DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE
\$ 289,535,888	\$ 58,700,680
314,100,139	76,722,430
326,177,945	79,860,112
324,257,520	103,074,389
329,228,427	107,927,170
343,936,479	114,768,496
371,647,072	122,966,354
409,570,134	135,032,794
433,279,198	158,692,823
453,330,805	163,641,621

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

TAXPAYER	2010			2001		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (a)	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (b)
TCI Park West I Inc.	\$ 124,293,000	1	3.01%	\$ 68,662,090	5	1.86%
Occidental Tower Corporation	81,145,180	2	1.97%	82,454,310	3	2.24%
AT&T/Southwestern Bell/Cingular	74,711,620	3	1.81%			
70 Washington Street LP	73,762,080	4	1.79%			
Research in Motion Corporation	67,303,858	5	1.63%			
EOS Properties at Providence Towers	61,000,000	6	1.48%			
Garden Centura LP	60,975,410	7	1.48%			
Maxim Integrated Products, Inc. (previously Dallas Semiconductor)	52,104,232	8	1.26%	127,428,220	1	3.45%
Glazers Wholesale	46,110,690	9	1.12%			
Lakeview at Parkside	38,625,000	10	0.94%			
Daltex Centre LP				87,750,000	2	2.38%
Aviall Services Inc.				68,863,460	4	1.87%
Quebecor Printing				63,532,550	6	1.72%
Prentiss Properties				51,256,410	7	1.39%
PL Properties Associated LP				41,394,950	8	1.12%
Tuesday Morning, Inc.				40,384,060	9	1.09%
Carlyle Heritage LP				33,550,000	10	0.91%
	<u>\$ 680,031,070</u>		<u>16.49%</u>	<u>\$ 665,276,050</u>		<u>18.03%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

Notes:

(a) Total taxable value October 1, 2009 (2010 fiscal year) is \$4,128,275,336.

(b) Total taxable value October 1, 2000 (2001 fiscal year) is \$3,688,451,149.

PROPERTY TAX LEVIES AND COLLECTIONS
 LAST NINE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	ACTUAL LEVY YEAR	ORIGINAL LEVY (1)	SUBSEQUENT ADJUSTMENTS	TOTAL LEVY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS/ (REFUNDS) IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
					CURRENT TAX COLLECTIONS	PERCENT OF TOTAL LEVY COLLECTED		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS TO TOTAL LEVY
2002	2001	\$ 17,208,844	\$ (233,227)	\$ 16,975,617	\$ 16,865,453	99.35%	\$ 64,388	\$ 16,929,841	99.73%
2003	2002	16,655,270	(305,440)	16,349,830	16,194,052	99.05%	122,782	16,316,834	99.80%
2004	2003	16,367,777	(440,332)	15,927,445	15,742,089	98.84%	144,202	15,886,291	99.74%
2005	2004	16,089,181	143,525	16,232,706	16,041,941	98.82%	154,996	16,196,937	99.78%
2006	2005	16,307,329	191,520	16,498,849	16,410,700	99.47%	65,656	16,476,356	99.86%
2007	2006	17,335,466	35,285	17,370,751	17,306,192	99.63%	(3,992)	17,302,200	99.61%
2008	2007	18,886,923	(235,750)	18,651,173	18,569,133	99.56%	15,299	18,584,432	99.64%
2009	2008	19,877,948	(408,690)	19,469,258	19,273,031	98.99%	50,488	19,323,519	99.25%
2010	2009	21,446,390	0	21,446,390	21,238,074	99.03%	0	21,238,074	99.03%

Source: Dallas County Tax Office

Notes:

(1) The original levy is as of July of the previous fiscal year and does not include any subsequent adjustments.

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF MONEY INCOME (1)	PER CAPITA (1)
	GENERAL	SPECIAL	DEVELOPER ADVANCES	ASSESSMENT			
	OBLIGATION	REVENUE		REVENUE			
	BONDS	BONDS		BONDS			
2001	\$ 18,590,000	\$ 4,380,000	\$	\$ 5,780,000	\$ 28,750,000	6.10%	\$ 1,045
2002	15,970,000	4,135,000	3,412,307	5,325,000	28,842,307	4.18%	1,041
2003	13,524,233	3,880,000	3,162,498	4,209,292	24,776,023	3.55%	885
2004	10,582,657	12,475,000	3,415,888	3,734,392	30,207,937	4.42%	1,102
2005	7,591,081	12,190,000	7,265,145	3,245,000	30,291,226	4.40%	1,098
2006	4,539,505	11,865,000	8,663,872	2,745,000	27,813,377	4.01%	999
2007	1,440,000	10,430,000	11,601,824		23,471,824	3.30%	824
2008	7,290,000	9,920,000	11,601,824		28,811,824	4.02%	1,002
2009	5,380,000	9,385,000	10,468,887		25,233,887	3.26%	811
2010	18,530,000	8,850,000	8,668,887		36,048,887	4.62%	1,152

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 12 for population data and money income.

RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY (1)	PER CAPITA (2)
	GENERAL BONDED DEBT		TOTAL		
	GENERAL	SPECIAL			
	OBLIGATION BONDS	REVENUE BONDS			
2001	\$ 18,590,000	\$ 4,380,000	\$ 22,970,000	0.62%	\$ 835
2002	15,970,000	4,135,000	20,105,000	0.51%	726
2003	13,524,233	3,880,000	17,404,233	0.46%	622
2004	10,582,657	12,475,000	23,057,657	0.65%	842
2005	7,591,081	12,190,000	19,781,081	0.61%	717
2006	4,539,505	11,865,000	16,404,505	0.50%	589
2007	1,440,000	10,430,000	11,870,000	0.34%	416
2008	7,290,000	9,920,000	17,210,000	0.45%	599
2009	5,380,000	9,385,000	14,765,000	0.37%	475
2010	18,530,000	8,850,000	27,380,000	0.66%	875

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 5 for taxable value of property data.

(2) See Table 12 for population data and money income.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2010
 (UNAUDITED)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE OVERLAPPING (1)	ESTIMATED SHARE OF OVERLAPPING DEBT
Debt repaid with property taxes			
Carrollton - Farmers Branch			
Independent School District	\$ 355,595,000	16.85%	\$ 59,917,758
Valwood Improvement Authority	10,194,888	35.53%	3,622,244
Dallas County	121,176,552	2.50%	3,025,993
Dallas County Hospital District	705,000,000	2.50%	17,591,104
Dallas County Community College			
District	416,040,000	2.39%	9,960,386
Dallas Independent School District	1,707,730,000	2.10%	35,862,330
Subtotal, overlapping debt	3,315,736,440		129,979,815
City direct debt (2)	18,350,351	100.00%	18,350,351
Total direct and overlapping bonded debt	\$ 3,334,086,791		\$ 148,330,166
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			
		3.59%	
Per capita overlapping bonded debt			
		\$ 4,739	(3)

Source: Municipal Advisory Council of Texas

Notes:

- (1) The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values. The share of market value for Carrollton/Farmers Branch ISD, Dallas ISD and Valwood Improvement Authority is calculated by the Dallas Central Appraisal District (DCAD) once every two years as these boundaries overlap within the City.
- (2) The City direct debt includes General Obligation Refunding and Improvement Bonds, Series 2010, which includes the refunding amount of \$1,690,000, which are being paid from hotel occupancy tax revenues and Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004, in the amount of \$7,160,000, which are being paid from amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P.
- (3) Based on North Central Texas Council of Governments' population estimate.

DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	LABOR FORCE (2)	UNEMPLOYMENT RATE % (2)	INCOME PER CAPITA (3)	MONEY INCOME (4)
2001	27,508	17,948	5.2%	\$ 17,122	\$ 470,991,976
2002	27,700	17,735	6.5%	24,921	690,311,700
2003	28,000	17,396	6.5%	24,921	697,788,000
2004	27,400	17,076	5.5%	24,921	682,835,400
2005	27,595	15,282	5.3%	24,921	687,694,995
2006	27,850	15,331	4.4%	24,921	694,049,850
2007	28,500	14,935	3.7%	24,921	710,248,500
2008	28,750	14,568	5.1%	24,921	716,478,750
2009	31,100	14,503	8.4%	24,921	775,043,100
2010	31,300	14,122	8.6%	24,921	780,027,300

Sources/Notes:

(1) Estimated Population provided by North Central Texas Council of Governments with exception of fiscal year 2001, which is based on the 2000 Census.

(2) Labor Force and Unemployment Rate are estimates for the City of Farmers Branch civilian labor force as of September and are provided by the Texas Workforce Commission.

(3) Income Per Capita information is provided by the U.S. Bureau of the Census and is based on the most current census at the time of its availability.

(4) Money Income is derived by multiplying per capita income by the estimated population.

The following information is provided by the North Central Texas Council of Governments based on 2000 census information.

Households:	9,766	Male:	13,849
Families:	6,938	Female:	13,659

Racial Breakdown

White	21,560
Black	661
American Indian	150
Asian or Pacific Islander	813
Other	4,324

* Nativity

Born in State	13,628
Born Out-of-State	7,301
Foreign Born	7,125
Born Abroad or in Outlying Areas	271

Source: North Central Texas Council of Governments

* The figures presented may total more than the population because individuals may report more than one (single or multiple) ancestry.

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

EMPLOYER	2010 ⁽¹⁾			2001 ⁽¹⁾		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
IBM Corporation	3,370	1	4.49%	3,190	1	4.25%
JPMorgan Chase Investment Services	2,390	2	3.19%			
Telvista	1,450	3	1.93%			
Federal Government - Internal Revenue Service	1,200	4	1.60%	1,200	4	1.60%
GEICO	1,088	5	1.45%	1,400	3	1.87%
Brookhaven College	620	6	0.83%	1,200	4	1.60%
Iidon Security Associates	588	7	0.78%			
AmeriPath North Texas	581	8	0.77%			
The Stanley Works, Inc. (previously Stanley Tools)	520	9	0.69%	500	10	0.67%
Fannie Mae	500	10	0.67%			
Dallas Medical Center (previously RHD Memorial Medical Center)	500	10	0.67%	560	9	0.75%
Dallas Semiconductor				1,600	2	2.13%
Sea-Land Service, Inc.				800	5	1.07%
Sprint, Inc.				800	5	1.07%
TD Industries				750	6	1.00%
Occidental Chemical Corporation				650	7	0.87%
Omega Optical Company Incorporated				650	7	0.87%
Tenet Health Care				650	7	0.87%
Mobil Research and Development Corporation				600	8	0.80%
Quebecor Printing				600	8	0.80%
RF Monolithics				600	8	0.80%
Army and Air Force Exchange Service				500	10	0.67%
Chromalloy Dallas				500	10	0.67%
Intracorp				500	10	0.67%
Sysco Food Systems, Inc.				500	10	0.67%
	<u>12,807</u>		<u>17.07%</u>	<u>17,750</u>		<u>23.70%</u>

Sources:

The most recent total employment data available is for 2000 in the amount of 75,013. This amount was used for current year total employment.

Note:

(1) Employers with the same number of employees were ranked the same resulting in the reporting of more than 10 employers.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST NINE FISCAL YEARS
 (UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of September 30								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	71.40	68.08	66.02	66.52	74.63	77.09	77.26	66.16	65.74
General administration	9.25	8.50	8.50	8.50	7.50	6.50	7.00	6.35	7.00
Convention	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communications	5.10	5.10	4.16	4.16	4.22	4.22	5.22	4.22	4.22
Economic development	2.00	2.00	2.00	2.00	2.00	3.00	2.00	1.00	1.00
Human resources	8.00	7.00	7.00	7.00	7.00	7.39	7.64	6.67	6.00
Finance	20.00	18.50	18.50	20.00	29.00	29.00	28.48	25.00	25.00
Community services	26.63	26.63	25.63	24.63	24.70	26.75	26.75	22.75	22.35
Other	0.12	0.35	0.23	0.23	0.21	0.23	0.17	0.17	0.17
Public safety	185.61	185.26	187.46	186.74	177.02	185.20	195.50	195.91	196.04
Police	117.81	117.81	119.81	119.31	109.81	109.96	113.04	113.04	113.04
Fire	66.00	64.00	64.00	64.22	64.28	72.00	80.09	80.50	80.63
Other	1.80	3.45	3.65	3.21	2.93	3.24	2.37	2.37	2.37
Public works	71.56	69.03	62.03	61.03	57.94	56.34	55.24	45.97	44.97
Engineering	22.00	22.00	19.00	18.00	18.00	18.00	18.00	13.00	13.00
Public works	45.00	43.00	39.00	39.00	36.27	34.27	34.27	30.00	29.00
Other	4.56	4.03	4.03	4.03	3.68	4.07	2.97	2.97	2.97
Culture and recreation	133.79	127.22	124.68	129.56	131.34	133.34	131.73	121.52	109.60
Parks	102.17	99.67	98.12	102.93	102.93	102.93	101.41	97.31	85.39
Library	24.93	23.18	22.93	23.00	25.00	26.75	26.75	21.25	21.25
Tourism	3.82	2.07	1.07	1.07	1.07	1.07	1.68	1.07	1.07
Other	2.88	2.30	2.56	2.56	2.34	2.59	1.89	1.89	1.89
Water and sewer	31.00	31.00	30.00	30.00	27.00	27.00	27.00	25.00	26.00
Water and sewer	31.00	31.00	30.00	30.00	27.00	27.00	27.00	25.00	26.00
Equipment services	2.64	1.36	1.46	1.46	1.34	1.46	1.06	1.07	1.07
Equipment services	2.64	1.36	1.46	1.46	1.34	1.46	1.06	1.07	1.07
Total	496.00	481.95	471.65	475.31	469.27	480.43	487.79	455.63	443.42

Source: City of Farmers Branch Finance Department

Notes: Information prior to fiscal year 2002 is not available. Information is reported from mid-year amended budgets.

SCHEDULE OF INSURANCE POLICIES IN FORCE
 SEPTEMBER 30, 2010
 (UNAUDITED)

POLICY ISSUED BY	AM BEST RATING	POLICY NUMBER	POLICY PERIOD	COVERAGE	DEDUCTIBLES	LIABILITY LIMITS
Texas Municipal League Intergovernment Risk Pool	A++	04687	10/1/2009 9/30/2010	General Liability	\$ 50,000	\$ 2,000,000
				Property	5,000	71,100,919
				Auto Liability	25,000	1,000,000
				Auto Physical Damage	2,500	Actual Cash Value
				Law Enforcement Liability	25,000	1,000,000
				Errors & Omissions	50,000	1,000,000
				Mobile Equipment	5,000	1,516,448
				Boiler & Machinery	5,000	8,000,000
				Employee Fidelity Bond	2,500	250,000
				Workers' Compensation	N/A	350,000 *(SIR)
				Animal Mortality (K-9)	25 / 50	As scheduled.
The Hartford Casualty Insurance Company	A+	61BSBDB6431	10/1/2009 9/30/2010	Fidelity Bond for Finance Director	2,500	250,000
Great American Alliance Insurance Company	A++	BTA5279922	10/1/2009 9/30/2010	Underground Storage Tank	4,000	1,000,000

Source: City of Farmers Branch Risk Manager

Notes: Claims Administrators - Workers' Compensation, TML Claims, 18601 LBJ Freeway, Suite 210, Town East Tower, Mesquite, Texas 75150.

*(SIR) "Self Insured Retention"

CITY OF FARMERS BRANCH, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

		Fiscal Year				
		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Public safety						
Police						
Number of employees	(1)	113	114	114	116.5	117
Number of sworn officers		73	73	74	74	74
Number of violations (citations)		33,309	36,539	40,466	29,308	23,207
Fire						
Number of employees		64	64	64	64	64
Number of EMS runs		2,169	2,048	1,999	1,912	2,083
Number of fire runs		3,688	3,596	3,508	3,302	3,113
Public works						
Street reconstruction (lane-miles)		0.7	0.6	0.8	1.0	1.2
Street resurfacing (lane-miles)		12.0	18.0	15.0	11.0	11.0
Culture and recreation						
Parks						
Recreation memberships sold (basic)	(2)					1,409
Recreation memberships sold (fitness)	(2)					894
Total pool admissions		28,369	22,792	25,499	19,537	16,757
Visits to Historical Park		29,520	49,493	47,947	51,106	49,706
Library						
Volumes borrowed		255,345	305,218	400,687	428,820	428,096
Volumes in library collection		94,245	98,462	97,499	101,156	104,018
Water and sewer						
Average daily water consumption (thousands of gallons)		9,497	8,620	8,833	7,856	8,083
Number of water consumers		9,405	9,433	9,467	9,442	9,444

Sources: Various City departments.

Notes: N/A - data unavailable at time of publication.

(1) The Municipal Court Division was moved to the Finance Department in fiscal year 2006.

(2) The Recreation Center was out of service from December 2002 until January 2004 while a new facility was being constructed. Prior to January 2004, the City did not sell memberships to the Recreation Center.

TABLE 16

Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
107	107	110	110	110
74	74	74	74	75
19,091	20,424	21,284	18,723	20,208
64	72	80	81	80
1,994	2,114	2,257	2,206	2,058
3,071	1,445	1,193	1,127	1,178
1.0	5.0	3.5	0.7	0.0
11.0	11.0	11.0	33.7	0.0
2,364	1,338	1,359	1,320	1,378
1,771	709	814	819	862
16,835	14,355	13,214	12,620	9,037
48,293	45,216	50,231	48,348	65,013
451,295	431,167	416,902	461,525	435,085
111,617	119,347	120,970	148,878	159,754
9,655	7,525	8,569	8,106	7,888
9,490	9,472	9,441	9,428	9,471

CITY OF FARMERS BRANCH, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Public safety					
Police stations	1	1	1	1	1
Patrol units	14	14	14	14	14
Fire stations	2	2	2	2	2
Public works					
Streets (lane miles)	378	378	378	398	398
Traffic signals	50	49	49	49	49
Landfill capacity (million cubic yards)	24.5	24.5	24.5	24.5	24.5
Culture and recreation					
Acreage	400	400	400	400	400
Parks	28	28	28	28	28
Playgrounds	N/A	12	12	12	12
Swimming pool	1	1	1	1	1
Recreation center	1	1	1	1	1
Senior center	1	1	1	1	1
Library	1	1	1	1	1
Historical park	1	1	1	1	1
Utilities					
Water mains (miles)	169.5	170.8	170.8	171.0	171.0
Fire hydrants	1,839	1,857	1,859	1,861	1,864
Storage capacity (millions of gallons)	19.5	19.5	19.5	21.5	21.5
Sanitary sewers (miles)	138.2	139.2	139.2	139.2	139.2
Storm sewers (miles)	100	101	101	101	101

Sources: Various City departments.

Note: No capital asset indicators are available for the general government or library function.

TABLE 17

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1	1
15	15	14	14	16
2	2	3	3	3
398	405	411	411	411
52	54	54	54	59
24.5	24.5	24.5	24.5	24.5
400	387	387	392	392
28	26	26	31	31
12	13	13	13	13
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
171.0	173.4	173.4	173.4	210.0
1,864	1,899	2,002	2,002	2,026
21.5	21.5	21.5	21.5	21.5
139.2	140.8	140.8	140.8	158.0
101	103	103	103	104

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*CONTINUING FINANCIAL
DISCLOSURE SECTION*

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CONTINUING FINANCIAL DISCLOSURE SECTION

(Unaudited)

The Continuing Financial Disclosure Section presents various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of the fiscal year ending on or after September 30, 1999. The financial tables that follow are updated through September 30, 2010, from the last debt issues that were sold June of 2010. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT
(UNAUDITED)

2010/2011 Market Valuation Established by DCAD (excluding totally exempt property)		\$ 4,938,598,420
Less Exemptions/Reductions at 100% Market Value:		
Totally Exempt Parcels	\$ 438,304,610	
Freeport	277,160,122	
Homestead	193,693,912	
Over 65	146,377,280	
Tax Abatements	60,819,260	
Agricultural	41,730,053	
Disabled Persons	6,528,792	
Disabled Veterans	2,605,366	
Pollution Control	1,017,540	
Capped Value Loss	834,844	
Under 500	29,300	
Total Exemptions		<u>1,169,101,079</u>
2010/2011 Net Taxable Assessed Valuation		<u><u>\$ 3,769,497,341</u></u>
City Funded Debt Payable From Ad Valorem Taxes		
Outstanding General Obligation Debt	\$ 18,530,000	
Series 2004 Taxable Certificates	7,160,000	
Series 2010 General Obligation Refunding and Improvement Bonds	<u>1,690,000</u>	
City Funded Debt Payable from Ad Valorem Taxes		\$ 27,380,000
Less: Self Supporting Debt (Taxable Certificates)	(1)	7,160,000
Series 2010 General Obligation Refunding and Improvement Bonds	(2)	<u>1,690,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		<u><u>\$ 18,530,000</u></u>
General Obligation Interest and Sinking Fund		571,245
Ratio of Gross General Obligation Tax Debt to Taxable Assessed Valuation		0.726%
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		0.492%
2010 Estimated Population -	31,300	
Per Capita Taxable Assessed Valuation -	\$120,431	
Per Capita Funded Debt Payable from Ad Valorem Taxes -	\$592	

Notes:

- (1) The City believes the Series 2004 Taxable Certificates will be self-supporting based upon amounts to be received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., a Delaware Limited Partnership, with respect to the Facility. Payments under the Lease are not pledged to the payment of the 2004 Taxable Certificates. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the 2004 Taxable Certificates, the City will be required to levy an ad valorem tax to pay such obligations.
- (2) This debt consists of the Self-Supporting portion of the City's General Obligation Refunding and Improvement Bonds Series 2010, which are being paid from hotel occupancy tax revenues. The City could discontinue its policy of paying such debt from hotel tax receipts, and, in lieu thereof, levy an ad valorem tax or use other lawfully available funds to pay such obligations.

TAXABLE ASSESSED VALUATIONS BY CATEGORY
(UNAUDITED)

	2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,199,294,510	24.27%	\$ 1,229,960,150	22.90%	\$ 1,224,870,990	24.05%
Real, Residential, Multi-Family	199,875,950	4.05%	181,554,340	3.38%	136,575,980	2.68%
Real, Vacant Lots/Tracts	139,837,770	2.83%	155,598,070	2.90%	118,995,820	2.34%
Real, Commercial	2,139,397,690	43.32%	2,232,389,700	41.57%	2,364,694,420	46.43%
Real, Industrial	23,173,350	0.47%	27,083,770	0.50%	27,850,780	0.55%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%	1,400	0.00%
Real, Non-Producing Minerals		0.00%		0.00%		0.00%
Real and Tangible Personal, Utilities	120,315,090	2.44%	118,802,590	2.21%	115,664,370	2.27%
Tangible Personal, Commercial	946,479,540	19.16%	1,183,541,580	22.04%	841,035,460	16.51%
Tangible Personal, Industrial	170,223,120	3.46%	241,329,110	4.50%	263,424,290	5.17%
Total Appraised Value Before Exemptions	4,938,598,420	100.00%	5,370,260,710	100.00%	5,093,113,510	100.00%
Less: Total Exemptions/Reductions	1,169,101,079		1,241,985,374		1,073,306,019	
Taxable Assessed Value	<u>\$ 3,769,497,341</u>		<u>\$ 4,128,275,336</u>		<u>\$ 4,019,807,491</u>	

	2008		2007	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,187,126,940	24.31%	\$ 1,148,704,570	26.14%
Real, Residential, Multi-Family	139,565,240	2.86%	113,458,300	2.58%
Real, Vacant Lots/Tracts	137,782,490	2.82%	169,223,190	3.85%
Real, Commercial	2,292,038,100	46.92%	1,926,143,250	43.84%
Real, Industrial	24,862,790	0.51%	20,850,330	0.47%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	800	0.00%
Real, Non-Producing Minerals		0.00%	600	0.00%
Real and Tangible Personal, Utilities	110,857,310	2.27%	123,727,260	2.82%
Tangible Personal, Commercial	815,986,150	16.70%	688,795,260	15.67%
Tangible Personal, Industrial	176,540,500	3.61%	203,632,220	4.63%
Total Appraised Value Before Exemptions	4,884,760,920	100.00%	4,394,535,780	100.00%
Less: Total Exemptions/Reductions	1,065,362,943		888,880,310	
Taxable Assessed Value	<u>\$ 3,819,397,977</u>		<u>\$ 3,505,655,470</u>	

Notes:

Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District (DCAD) to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the DCAD updates records.

VALUATION AND GENERAL OBLIGATION DEBT HISTORY
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	TAXABLE ASSESSED VALUATION	TAXABLE ASSESSED VALUATION PER CAPITA (2)	G.O. TAX DEBT OUTSTANDING AT END OF YEAR (3)	RATIO OF G.O. TAX DEBT TO TAXABLE ASSESSED VALUATION (2)	G.O. TAX DEBT PER CAPITA (2)(3)
2007	28,500	\$ 3,505,655,470	\$ 123,005	\$ 11,870,000	0.34%	\$ 416
2008	28,750	3,819,397,977	132,849	17,210,000	0.45%	599
2009	31,100	4,019,807,491	129,254	14,765,000	0.37%	475
2010	31,300	4,128,275,336	131,894	27,380,000	0.66%	875
2011	31,300	3,769,497,341	120,431	24,330,000	0.65%	777

Notes:

- (1) Based on North Central Texas Council of Governments original population estimates with the exception of the current fiscal year, which is a projection.
- (2) As reported by the Dallas Central Appraisal District on the City's annual State Property Tax Report; subject to change during the ensuing year.
- (3) Includes Series 2010 General Obligation Refunding and Improvement Bonds and Series 2004 Taxable Certificates.

TAX RATE, LEVY, AND COLLECTION HISTORY
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	TAX RATE	GENERAL FUND	I & S FUND	TOTAL TAX LEVY	% CURRENT COLLECTIONS	% TOTAL COLLECTIONS
2006	\$ 0.4945	\$ 0.3985	\$ 0.0960	\$ 16,498,849	99.47%	99.86%
2007	0.4945	0.4041	0.0904	17,370,751	99.63%	99.61%
2008	0.4945	0.4386	0.0559	18,651,173	99.56%	99.64%
2009	0.4945	0.4423	0.0522	19,469,258	98.99%	99.25%
2010	0.5195	0.4516	0.0679	21,446,390	99.03%	99.03%

TEN LARGEST TAXPAYERS
FISCAL YEAR 2011
(UNAUDITED)

TAXPAYER	NATURE OF PROPERTY	TAXABLE VALUE	PERCENTAGE OF TOTAL CERTIFIED TAXABLE VALUE
TCI 600 Las Colinas Inc.	Real Estate Investment Company	\$ 105,188,440	2.79%
AT&T Communications	Telecommunications	77,467,110	2.06%
Occidental Tower Corporation	Chemical Production	70,437,690	1.87%
Garden Centura LP	Real Estate Investment Company	60,975,410	1.62%
EOS Properties at Providence Towers	Real Estate Investment Company	59,250,000	1.57%
70 Washington Street LP	Real Estate Investment Company	56,553,740	1.50%
Maxim Integrated Products, Inc.	Semiconductor Manufacturing	48,221,860	1.28%
Glazers Wholesale	Spirit and Wine Distribution	42,377,170	1.12%
Lakeview at Parkside	Real Estate Developers	36,600,000	0.97%
Loadstar, Inc.	Real Estate Developers	35,288,040	0.94%
		<u>\$ 592,359,460</u>	<u>15.72%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

TAX ADEQUACY
(UNAUDITED)

2011 Principal and Interest Requirements (1)	\$ 4,255,489
\$0.1141 Tax Rate at 99% Collection Produces	4,257,987
Average Annual Principal and Interest Requirements, 2011-2030 (1)	\$ 1,922,786
\$0.0516 Tax Rate at 99% Collection Produces	1,925,610

Note:

(1) Includes Series 2010 General Obligation Refunding and Improvement Bonds and Series 2004 Taxable Certificates.

CITY OF FARMERS BRANCH, TEXAS

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS (1)			SPECIAL REVENUE BONDS (2)		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2011	\$ 2,450,000	\$ 763,606	\$ 3,213,606	\$ 600,000	\$ 441,883	\$ 1,041,883
2012	2,585,000	638,809	3,223,809	625,000	414,580	1,039,580
2013	745,000	557,330	1,302,330	655,000	395,364	1,050,364
2014	775,000	536,391	1,311,391	680,000	374,117	1,054,117
2015	805,000	510,937	1,315,937	245,000	356,674	601,674
2016-2020	4,555,000	2,030,235	6,585,235	1,465,000	1,550,775	3,015,775
2021-2025	4,805,000	864,822	5,669,822	1,965,000	1,056,325	3,021,325
2026-2030	1,810,000	187,000	1,997,000	2,615,000	396,865	3,011,865
	<u>\$ 18,530,000</u>	<u>\$ 6,089,130</u>	<u>\$ 24,619,130</u>	<u>\$ 8,850,000</u>	<u>\$ 4,986,583</u>	<u>\$ 13,836,583</u>

Notes:

(1) "General Obligation Bonds" do not include lease/purchase obligations.

(2) General Obligation Refunding and Improvement Bonds Series 2010 (refunding portion) - average life of issue - 2.213 years. Combination Tax and Revenue Certificates of Obligation Series 2004 - average life of issue - 16.657 years.

TABLE CD-7

TOTAL DEBT SERVICE REQUIREMENTS		% OF PRINCIPAL RETIRED
\$	4,255,489	11.14%
	4,263,389	22.86%
	2,352,694	27.98%
	2,365,508	33.29%
	1,917,611	37.13%
	9,601,010	59.11%
	8,691,147	83.84%
	5,008,865	100.00%
\$	38,455,713	

INTEREST AND SINKING FUND BUDGET PROJECTION
(UNAUDITED)

Interest and Sinking Fund, 9/30/10	\$	571,245	
Interest and Sinking Fund Tax Levy		1,567,100	
Transfer for Hotel Occupancy Tax Debt Service		446,100	
Transfer for Tax and Revenue Debt Service		3,643,789	
Estimated Investment Income			\$ 6,228,234
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/11 (1)			4,255,489
Estimated Balance 9/30/11			<u>\$ 1,972,745</u>

Note:

(1) Includes Series 2010 General Obligation Refunding and Improvement Bonds and Series 2004 Taxable Certificates.

COMPUTATION OF SELF-SUPPORTING DEBT
(UNAUDITED)

Stars Center Revenues	(1)	\$ 663,000
Less: Requirements for Series 2004 Taxable Certificates of Obligation		600,900
Balance Available for Other Purposes		<u>\$ 62,100</u>
Hotel/Motel Occupancy Tax Revenues	(2)	\$ 1,912,000
Less: Requirements for Series 2010 General Obligation Refunding Bonds		441,100
Balance Available for Other Purposes		<u>\$ 1,470,900</u>

Notes:

- (1) The City has determined that the Series 2004 Taxable Certificates will be self-supporting general obligation debt based upon amounts to be received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars, L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility being financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the Series 2004 Taxable Certificates is dependent on the satisfaction of certain initial and ongoing requirements in the Lease, particularly including the Lease provision that a certificate of occupancy be issued for the ice skating facility prior to the commencement of the lease term. The City is of the view that such lease provisions are customary, but anticipates that a portion of the debt service for the Certificates during the construction of the facility will be funded from transfers from other available sources.
- (2) The City's Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) are secured by a pledge of the ad valorem taxes and receipts from the 7% hotel occupancy tax collected by the City for the promotion of tourism in the City. The City transfers hotel tax revenues to the debt service fund to pay debt service on the refunding portion of this issue and anticipates that it will continue to do so to pay the outstanding balance.

HOTEL/MOTEL TAX REVENUE
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>FISCAL YEAR</u>	<u>HOTEL/MOTEL TAX REVENUE</u>	<u>NUMBER OF ROOMS</u>
2001	\$ 2,534,403	2,207
2002	2,026,831	2,172
2003	1,797,279	2,172
2004	1,786,530	2,173
2005	1,965,693	2,194
2006	2,249,499	2,196
2007	2,487,792	2,137
2008	2,507,434	2,137
2009	1,974,308	2,137
2010	1,821,619	2,137

HOTEL OCCUPANCY TAXPAYERS
 SEPTEMBER 30, 2010
 (UNAUDITED)

<u>HOTEL</u>	<u>NUMBER OF ROOMS</u>	<u>TAXES PAID</u>	<u>% OF TOTAL</u>
Omni @ Park West	337	\$ 577,589	31.71%
Doubletree Hotel Dallas	290	312,355	17.15%
Sheraton Dallas Galleria	310	300,726	16.51%
Holiday Inn Select North Dallas	375	198,664	10.91%
Doubletree Club Hotel	160	191,657	10.52%
Fairfield Inn	107	76,484	4.20%
LaQuinta Inn	122	58,163	3.19%
Days Inn North Dallas	72	29,070	1.59%
Super 8	50	23,507	1.29%
Econo Lodge Dallas Airport North	120	20,570	1.13%
Studio Plus	86	17,830	0.98%
America's Best Value Inn	103	13,930	0.76%
Lakeview at Parkside	1	481	0.03%
Villas at Parkside	2	399	0.02%
Chateau DeVille Apartments	2	194	0.01%
	<u>2,137</u>	<u>\$ 1,821,619</u>	<u>100.00%</u>

GENERAL FUND REVENUE AND EXPENDITURE HISTORY
 FISCAL YEARS ENDED SEPTEMBER 30
 (UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2010	2009	2008	2007	2006
REVENUES					
Property, sales, and franchise taxes	\$ 33,568,755	\$ 33,345,154	\$ 33,608,979	\$ 31,308,791	\$ 30,494,007
Licenses and permits	559,979	485,241	769,575	847,741	901,032
Charges for services	4,803,469	4,360,812	4,483,280	4,796,883	4,553,630
Fines and forfeitures	2,509,385	2,115,780	2,210,036	2,616,722	2,520,119
Investment income	526,954	661,046	955,436	1,070,033	970,781
Miscellaneous	63,759	78,500	215,776	102,480	125,666
Total revenues	42,032,301	41,046,533	42,243,082	40,742,650	39,565,235
EXPENDITURES					
General government	10,020,465	9,801,506	12,172,038	9,831,145	8,401,617
Public safety	19,678,114	19,983,636	19,059,216	16,801,893	15,777,257
Public works	6,383,693	6,857,651	7,273,294	7,166,136	6,736,532
Culture and recreation	10,022,539	10,043,451	9,963,027	9,470,901	9,376,904
Total expenditures	46,104,811	46,686,244	48,467,575	43,270,075	40,292,310
Deficiency of revenues under expenditures	(4,072,510)	(5,639,711)	(6,224,493)	(2,527,425)	(727,075)
OTHER FINANCING SOURCES (USES)					
Transfers in	4,172,968	5,329,790	2,921,942	2,637,317	2,612,451
Transfers out	(362,800)			(3,612,500)	(137,500)
Sale of capital assets/insurance recoveries	61,517	97,485	399,024	313,919	257,523
Total other financing sources (uses)	3,871,685	5,427,275	3,320,966	(661,264)	2,732,474
Net change in fund balance	(200,825)	(212,436)	(2,903,527)	(3,188,689)	2,005,399
Fund balances--beginning	8,829,049	9,041,485	11,945,012	15,133,701	13,128,302
Fund balances--ending	\$ 8,628,224	\$ 8,829,049	\$ 9,041,485	\$ 11,945,012	\$ 15,133,701

MUNICIPAL SALES TAX HISTORY
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	TOTAL COLLECTED	% OF AD VALOREM TAX LEVY	EQUIVALENT OF AD VALOREM TAX RATE	PER CAPITA
2006	\$ 11,240,717	68.93%	\$ 0.3409	\$ 403.62
2007	12,367,492	71.34%	0.3528	433.95
2008	12,458,643	65.96%	0.3262	433.34
2009	11,912,047	59.93%	0.2963	383.02
2010	10,890,296	50.78%	0.2638	347.93

The sales tax breakdown for the City is as follows:

Dallas Area Rapid Transit (DART)	1.00¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	6.25¢
Total	<u>8.25¢</u>

CURRENT INVESTMENTS
 SEPTEMBER 30, 2010
 (UNAUDITED)

DESCRIPTION OF INVESTMENT	% OF PORTFOLIO	PURCHASE PRICE	MARKET VALUE
Municipal Obligations	25.71%	\$ 10,430,191	\$ 10,353,312
Fannie Mae Notes	21.42%	8,577,123	8,631,989
Repurchase Agreements	20.91%	8,419,175	8,419,175
Certificates of Deposit Account Registry	11.18%	4,500,000	4,500,000
Federal Farm Credit Bank Notes	10.70%	4,300,000	4,309,417
Federal Home Loan Bank	10.08%	4,125,420	4,058,440
	<u>100.00%</u>	<u>\$ 40,351,909</u>	<u>\$ 40,272,333</u>

HISTORICAL WATER AND WASTEWATER USAGE
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	WATER USAGE AMOUNT IN GALLONS (000)			WASTE WATER CONSUMPTION AMOUNT IN GALLONS (000)
	TOTAL CONSUMPTION	PEAK DAY	AVERAGE DAY	TOTAL USAGE
2005	2,950,227	14,813	8,083	1,709,434
2006	3,523,898	17,573	9,655	1,225,346
2007	2,746,547	15,214	7,525	1,727,468
2008	3,127,749	16,042	8,569	1,436,358
2009	2,958,699	15,550	8,106	1,311,979
2010	2,879,109	15,452	7,888	1,431,042

Note: Total Consumption represents total water purchased by the City.

TOP TEN WATER CONSUMERS
 SEPTEMBER 30, 2010
 (UNAUDITED)

CONSUMER	TYPE OF INDUSTRY	2009-10 CONSUMPTION (GALLONS)	% OF TOTAL CONSUMPTION	2009-10 REVENUES	% OF REVENUES
Maxim Integrated Products, Inc.	Semiconductor Manufacturing	70,930,000	2.5%	\$ 280,663	3.0%
Lakeview at Parkside	Real Estate	41,896,000	1.5%	196,514	2.1%
TCI Park West	Management Company	38,894,000	1.4%	155,463	1.7%
Dallas County Community College	Education	26,519,000	0.9%	112,564	1.2%
Ventana at Valwood, MMH Mgmt	Real Estate	26,318,000	0.9%	114,421	1.2%
Villas De Campesinos	Real Estate	23,553,000	0.8%	89,546	1.0%
Daltex	Real Estate Developers	23,284,000	0.8%	113,632	1.2%
Cooks Creek Apartments	Real Estate	22,161,000	0.8%	104,461	1.1%
Brookhaven Country Club	Recreation	20,488,000	0.7%	81,959	0.9%
Omni Dallas Hotel	Hotel	20,188,000	0.7%	82,909	0.9%

Source: City of Farmers Branch Finance Department

MONTHLY WATER AND SEWER RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	WATER RATES				SEWER RATES	
	MONTHLY BASE 2,000 GALLONS	RATE PER 1,000 GALLONS			MONTHLY BASE 2,000 GALLONS	RATE PER 1,000
						GALLONS
		NEXT 8,000 GALLONS	NEXT 10,000 GALLONS	OVER 20,000 GALLONS		OVER
						2,001 GALLONS (1)
2001	\$ 8.38	\$ 2.47	\$ 2.56	\$ 2.66	\$ 8.76	\$ 1.18
2002	8.38	2.47	2.56	2.66	8.76	1.18
2003	8.38	2.47	2.56	2.66	8.76	1.18
2004	8.80	2.59	2.56	2.66	9.20	1.24
2005	9.20	2.71	2.81	2.92	9.61	1.30
2006	10.44	3.08	3.19	3.31	10.91	1.48
2007	10.44	2.83	3.19	3.31	10.91	1.48
2008	10.44	2.83	3.19	3.31	10.91	1.48
2009	11.69	3.17	3.57	3.71	12.22	1.66
2010	11.69	3.17	3.57	3.71	12.22	1.66

Notes:

Rates are based on 3/4" and 5/8" meters, which are the standard household meter sizes. The City charges an additional rate for non-standard meter sizes.

(1) Private residents are not charged for sewer beyond 10,000 gallons.

CONDENSED STATEMENT OF WATER AND SEWER SYSTEM OPERATIONS
 FISCAL YEARS ENDED SEPTEMBER 30
 (UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2010	2009	2008	2007	2006
REVENUES					
Charges for services	\$ 13,352,443	\$ 14,185,971	\$ 13,539,586	\$ 12,114,700	\$ 15,352,500
Investment income	62,486	248,022	428,409	614,641	411,189
Miscellaneous	16,207	2,780	1,805	1,911	8,043
Total revenues	13,431,136	14,436,773	13,969,800	12,731,252	15,771,732
EXPENDITURES					
Personal services	1,847,978	1,842,389	1,771,566	1,655,323	1,601,470
Materials and supplies	215,203	250,047	217,099	142,726	145,945
Maintenance and utilities	1,771,420	1,527,874	1,082,732	993,066	960,753
Purchase of water	4,593,133	4,487,328	4,230,694	4,215,899	4,356,520
Sewage treatment	2,068,099	1,872,221	2,169,091	2,205,728	1,787,319
Total expenditures	10,495,833	9,979,859	9,471,182	9,212,742	8,852,007
Net available for debt service	\$ 2,935,303	\$ 4,456,914	\$ 4,498,618	\$ 3,518,510	\$ 6,919,725
CUSTOMERS	9,471	9,428	9,441	9,472	9,490

Notes:

The above calculation of amounts available for payment of system debt service excludes non-cash expenses such as depreciation and amortization. Debt service payments are also excluded. Certain non-cash revenue sources, principally investment income, are included.